



**CITY OF RICHLAND HILLS, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended  
September 30, 2009**

**GMS**  
GEORGE MORGAN  
& SNEED, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF RICHLAND HILLS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2009**

**Prepared by the Finance Department**

**CITY OF RICHLAND HILLS, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2009**

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# CITY OF RICHLAND HILLS, TEXAS

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595-6600 • 3200 DIANA DRIVE • RICHLAND HILLS, TEXAS • 76118

March 23, 2010

The Honorable Mayor and Members of the City Council  
City of Richland Hills  
Richland Hills, Texas

State law requires that all general-purpose local governments publish within six months of the close of each year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Richland Hills for the fiscal year ended September 30, 2009.

This report consists of management's representations concerning the finances of the City of Richland Hills. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Richland Hills has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Richland Hills' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Richland Hills' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of Richland Hills' financial statements have been audited by George, Morgan, and Sneed, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Richland Hills for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing



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the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Richland Hills' financial statements for the fiscal year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Richland Hills' MD&A can be found immediately following the report of the independent auditors.

### **Profile of Richland Hills**

The City of Richland Hills, incorporated in 1950, is located in the middle of a major metropolitan area in north central part of the state. The City of Richland Hills currently occupies a land area of 3.9 square miles and serves a population of 8,132. The City of Richland Hills is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Richland Hills has operated under the council-manager form of government since 1985. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members serve two-year staggered terms with three council members elected in odd-numbered years and the mayor and two council members elected in even-numbered years. The mayor and council members are elected from the City at large.

The City of Richland Hills provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Water and sanitation services are provided as a department of the City of Richland Hills and therefore have been included as an integral part of the City of Richland Hills' financial statements.

The annual budget serves as the foundation for the City of Richland Hills' financial planning and control. All departments of the City of Richland Hills are required to submit requests for appropriation to the government's manager in May of each year. The government's manager uses these requests as the starting point for developing a proposed budget. The government's manager then presents this proposed budget to the council for review by at least 60 days prior to October 1. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later

than September 30, the close of the City of Richland Hills' fiscal year. The appropriated budget is prepared by fund, and department (e.g., police). The government's manager is authorized to transfer budgeted amounts between line items within any fund. Any revisions that alter the total expenditures of any fund require special approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 47 as required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report.

### **Economic Outlook and Financial Condition**

The primary goal of the upcoming budget year is to continue the high level of service delivered to residents, and ensure the efficacious delivery of programs. As in previous years, the City must overcome the implementation of the Over-65 tax freeze approved by the voters in January, 2005. The projected revenue shortfall for the freeze in the upcoming fiscal year is \$103,045. This number will eventually grow in succeeding years to a projected revenue shortfall of \$587,548 by the year 2014. The City will again face revenue limitations in the upcoming fiscal year because of the uncertainty of the economy.

In March, 2008, the City Council approved amendments to the Salary Compensation and Position Classification Schedules committing significant resources to increasing fire and police employee pay. Subsequently, a tax increase was accomplished to fund the plan in FY 2008-09. Because the plan will grow over the next five years with regard to merit increases, the City will have little maneuverability in the budget to increase operating costs. Because of the poor economy, the City may very well not generate enough revenues to support any pay plan increase. If this is the case, the City will either have to freeze pay, reduce personnel or request Council increase taxes to fund the pay plan. Another challenge is the realization that the cost of the health care plan may increase. Council will be faced with the dilemma of deciding whether to support both the pay and health insurance plans via an ad valorem increase.

The City is scheduled to have an eventful FY 2009-10 with projects scheduled as follows: realignment of Trinity Boulevard with Burns Street; completion of a street resurfacing program; continued support of the Community Development Block Grant program; completion of Boulevard 26 intersection improvements at Rufe Snow and Glenview Drive; implementation of elements identified by the North Central Texas Council of Governments planning study to establish mixed use zoning within the Handley Ederville Road and TRE Station corridors; begin construction of \$8,000,000 in drainage improvements; construction of Safe Route to Schools sidewalks; completion of comprehensive master plan update; development of architectural and development standards for Baker Boulevard TIF District; development of neighborhood revitalization plan and continued attraction of vital retail development within the City's major commercial corridors.

## Cash Management

The City awards its depository contract through official bidding procedures for a three-year period with an option to extend the contract for two additional years. The current depository contract with Chase Bank of Texas expires May 31, 2010.

Cash temporarily idle during the fiscal year was invested primarily in U. S. Treasury bills, certificates of deposit, and one investment pool. The average balance of the City's investment portfolio for fiscal year 2009 was approximately \$3,973,648. The overall portfolio provided \$18,493 in investment income as of September 30, 2009.

It is the City's policy that all demand deposits and time deposits are secured by pledged collateral with a market value equal to no less than 100% of the deposits less an amount insured by the FDIC. The securities which serve as collateral against the City's deposits include U. S. Treasury notes, U. S. Treasury bills, U. S. Government agencies, and municipal/utility revenue bonds. Collateral is reviewed monthly to assure the market value of the securities pledged equal or exceeds the related bank balances.

## Risk Management

As a provider of a wide variety of governmental services, the City continues to emphasize risk management. The proliferation of legal actions, ever increasing claims, consciousness of the public and constantly increasing costs of accidents continue to be major concerns.

The risk management objectives of the City are (1) the continuity of essential services to the City, (2) the safety of City employees and the public and (3) the avoidance of unnecessary and unreasonable liability exposure. Various risk control techniques include responsible insurance coverage and employee accident prevention training. Worker's Compensation coverage is currently provided through the Texas Municipal League Intergovernmental Risk Pool.

## Other Information

### Awards and Acknowledgements

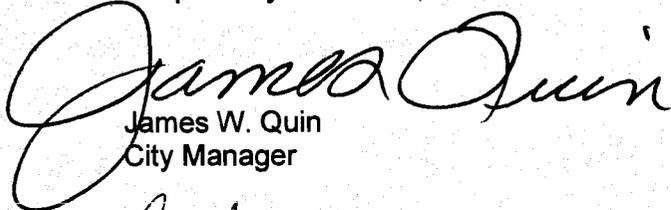
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the City of Richland Hills for its comprehensive annual financial report for the fiscal year ended September 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the cooperation of City employees throughout the organization. Sincere appreciation is also expressed to the Mayor and City Council for their continued interest and support in the conduct of the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



James W. Quin  
City Manager



Barbara Mann  
Finance/Accounting Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Richland Hills  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "JRE".

President

A handwritten signature in black ink, reading "Jeffrey R. Ennis".

Executive Director

**CITY OF RICHLAND HILLS, TEXAS**

**LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2009**

**CITY COUNCIL**

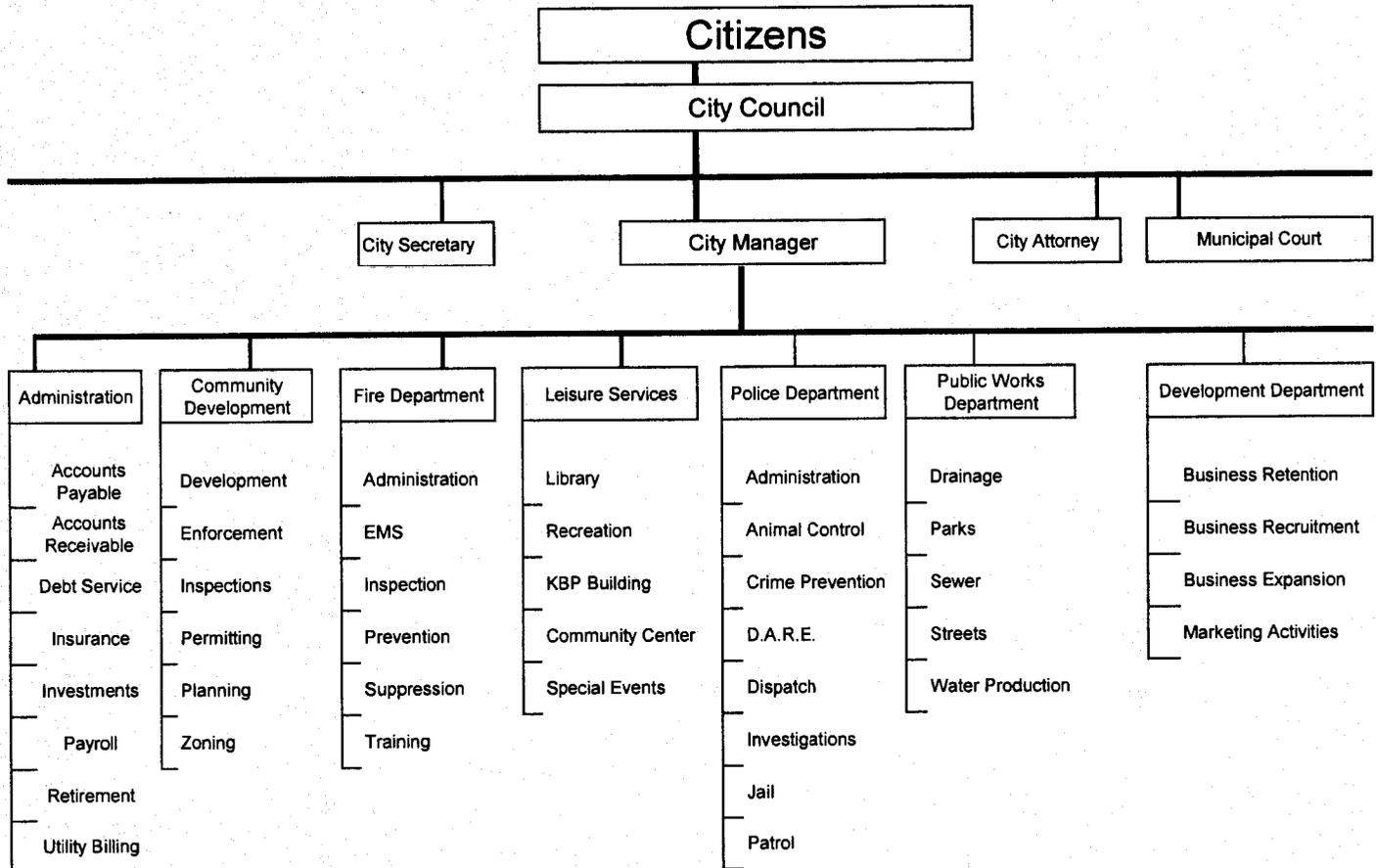
David Ragan, Mayor

James Blyn, Place 1  
Kenney Davis, Mayor Pro Tem, Place 2  
Andy Baugh, Place 3  
Don Acker, Place 4  
Larry Marrs, Place 5

**City Staff**

James W. Quin, City Manager  
Barbara Childress, Chief of Police  
William Bell, Fire Chief  
Michael Barnes, Director of Public Works  
Theresa Tillery, Library Director  
Howard Gregory, Director of Community Development/Chief Building Official  
Linda Cantu, City Secretary  
Alicia St. Cyr, Municipal Court Clerk  
Liz Kennedy, Administrative Assistant  
Barbara J. Mann, Finance/Accounting Manager

# CITY OF RICHLAND HILLS ORGANIZATION CHART



HENRY T. GEORGE - CPA  
STEVE D. MORGAN - CPA  
(1925-1994)  
PETER H. MORGAN - CPA  
PATRICK E. SNEED - CPA  
JAMES E. SLUDGE - CPA  
ROY D. STONE - CPA  
NEREO R. MATIAS - CPA



CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
AMERICAN INSTITUTE  
OF CERTIFIED  
PUBLIC ACCOUNTANTS  
AND  
TEXAS SOCIETY  
OF CERTIFIED  
PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Richland Hills, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland Hills, Texas, (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2010, on our consideration of the City of Richland Hills, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-16, budgetary comparison schedule – general fund on page 47 and Texas Municipal Retirement System Schedule of Funding Progress on page 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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ESTABLISHED  
1959

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory, combining and individual fund statements and schedules, capital assets schedules – governmental funds, other schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Richland Hills, Texas. This additional information is also the responsibility of City management. The combining and individual fund statements and schedules, capital assets schedules – governmental funds and other schedules as listed in the table of contents have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*George, Morgan & Sneed, P.C.*

Weatherford, Texas  
March 11, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The City of Richland Hills, Texas, we offer readers of The City of Richland Hills's financial statements this narrative overview and analysis of the financial activities of The City of Richland Hills for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Richland Hills exceeded its liabilities at the close of the most recent fiscal year by \$20,973,314 (*net assets*) compared to \$20,611,053 for the prior year. Of this amount, \$5,292,131 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$362,261. The City's governmental activities net assets decreased by \$43,846 but the business-type activities net assets increased \$406,107.
- As of the close of the current fiscal year, the City of Richland Hills's governmental funds reported combined ending fund balances of \$5,011,243 compared to \$4,537,586 for the prior year. Approximately \$4,516,456 is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,483,768, or 49% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Richland Hills's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and fees).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, legislative, municipal court, police, fire and ambulance, code enforcement, animal control, clean city, streets and highways, library, community center, parks and beautification and economic development. The business-type activities of the City include water production and distribution, sewer collection and treatment and drainage utility.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. The Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and drainage utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and drainage utility fund.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-46 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on Exhibits E-1 and E-2 of this report.

The individual major governmental funds and combining and individual nonmajor governmental funds and enterprise fund statements are presented immediately following the required supplementary information. These statements can be found on Exhibits F through K of this report.

Additional information is provided on the City's governmental funds capital assets on Exhibits L-1 through L-3.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$20,973,314 as of September 30, 2009.

The largest portion of the City's net assets (68%) reflects its investment in capital assets (e.g. land, improvements other than buildings, buildings, machinery and equipment, streets and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,292,131) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Below are summaries of the City's Statement of Net Assets and Statement of Activities.

**Condensed Statement of Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 6,325,738	\$ 5,944,479	\$ 2,324,370	\$ 2,771,844	\$ 8,650,108	\$ 8,716,323
Capital assets	9,772,808	10,471,062	11,446,537	10,952,338	21,219,345	21,423,400
<b>Total Assets</b>	<b>16,098,546</b>	<b>16,415,541</b>	<b>13,770,907</b>	<b>13,724,182</b>	<b>29,869,453</b>	<b>30,139,723</b>
Current liabilities	335,927	433,247	404,044	392,114	739,971	825,361
Long-term liabilities	1,940,234	2,116,063	6,215,934	6,587,246	8,156,168	8,703,309
<b>Total liabilities</b>	<b>2,276,161</b>	<b>2,549,310</b>	<b>6,619,978</b>	<b>6,979,360</b>	<b>8,896,139</b>	<b>9,528,670</b>
<b>Net Assets:</b>						
Invested in capital assets net of related debt	8,108,808	8,565,062	6,093,323	5,918,614	14,202,131	14,483,676
Restricted	439,715	412,610	1,039,337	1,011,985	1,479,052	1,424,595
Unrestricted	5,273,862	4,888,559	18,269	(185,777)	5,292,131	4,702,782
<b>Total Net Assets</b>	<b>\$ 13,822,385</b>	<b>\$ 13,866,231</b>	<b>\$ 7,150,929</b>	<b>\$ 6,744,822</b>	<b>\$ 20,973,314</b>	<b>\$ 20,611,053</b>

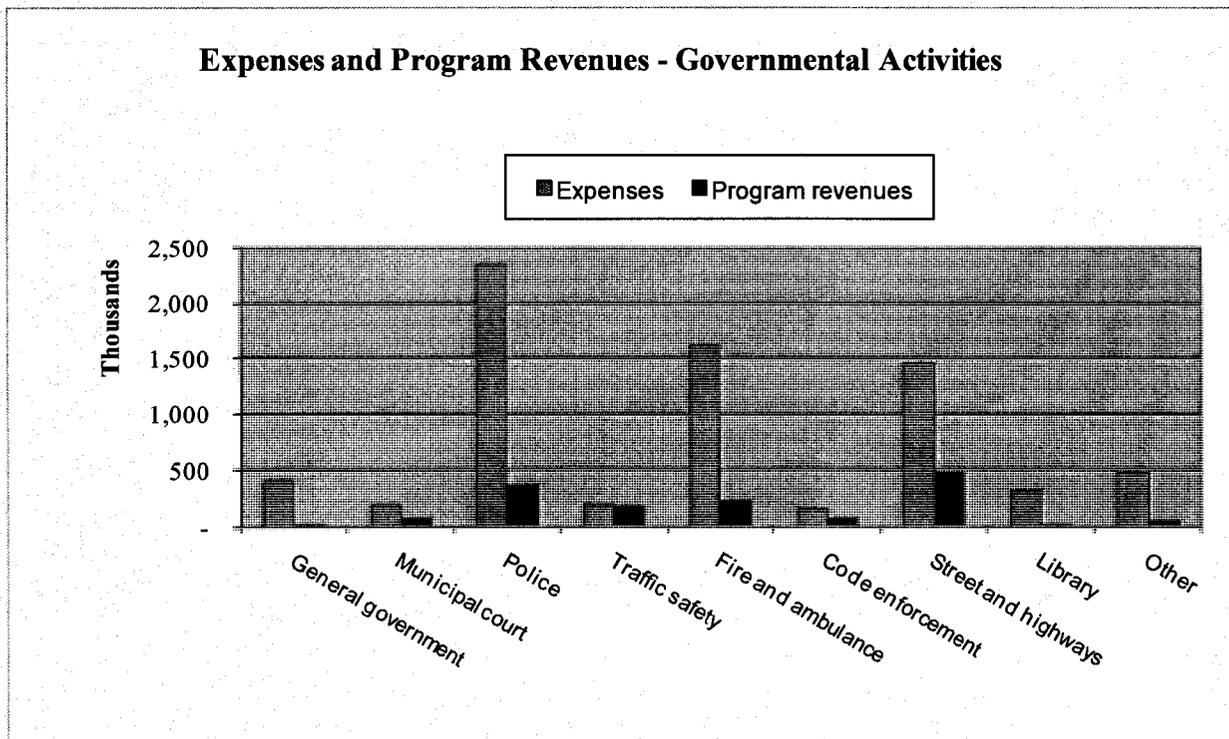
## Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 947,396	\$ 1,062,390	\$ 3,829,532	\$ 3,310,833	\$ 4,776,928	\$ 4,373,223
Operating grants and contributions	164,926	179,182	-	-	164,926	179,182
Capital grants and contributions	352,102	97,423	-	-	352,102	97,423
<b>General revenues:</b>						
Property taxes	2,083,969	1,927,273	-	-	2,083,969	1,927,273
Sales taxes	2,262,356	2,457,930	-	-	2,262,356	2,457,930
Franchise taxes	562,590	543,654	-	-	562,590	543,654
Hotel Occupancy taxes	52,079				52,079	-
Investment earnings	9,476	64,126	9,017	58,927	18,493	123,053
Miscellaneous revenue	938,837	166,573	-	-	938,837	166,573
<b>Total revenues</b>	<u>7,373,731</u>	<u>6,498,551</u>	<u>3,838,549</u>	<u>3,369,760</u>	<u>11,212,280</u>	<u>9,868,311</u>
<b>Expenses</b>						
General government	396,736	381,991			396,736	381,991
Legislative	86,980	83,153			86,980	83,153
Municipal court	198,524	250,376			198,524	250,376
Police	2,349,015	2,161,108			2,349,015	2,161,108
Traffic safety	195,148	252,067			195,148	252,067
Fire and ambulance	1,616,348	1,535,701			1,616,348	1,535,701
Code enforcement	161,647	148,014			161,647	148,014
Animal control	119,362	117,869			119,362	117,869
Keep Richland Hills Beautiful	11,462	9,084			11,462	9,084
Street and highways	1,445,582	1,277,037			1,445,582	1,277,037
Library	317,101	329,331			317,101	329,331
Community center	43,719	44,442			43,719	44,442
Parks and beautification	46,457	43,290			46,457	43,290
Economic development	80,451	30,266			80,451	30,266
Interest on long-term debt	82,847	91,450			82,847	91,450
Water production and distribution			1,903,276	1,702,949	1,903,276	1,702,949
Sewer Collection and Treatment			1,661,146	1,816,206	1,661,146	1,816,206
Drainage Utility			134,218	250,726	134,218	250,726
<b>Total expenses</b>	<u>7,151,379</u>	<u>6,755,179</u>	<u>3,698,640</u>	<u>3,769,881</u>	<u>10,850,019</u>	<u>10,525,060</u>
Increase (decrease) in net assets before transfers	222,352	(256,628)	139,909	(400,121)	362,261	(656,749)
Transfers	(266,198)	-	266,198	-	-	-
Increase (decrease) in net assets	(43,846)	(256,628)	406,107	(400,121)	362,261	(656,749)
Net Assets October 1	13,866,231	14,122,859	6,744,822	7,144,943	20,611,053	21,267,802
<b>Net Assets September 30</b>	<u>\$ 13,822,385</u>	<u>\$ 13,866,231</u>	<u>\$ 7,150,929</u>	<u>\$ 6,744,822</u>	<u>\$ 20,973,314</u>	<u>\$ 20,611,053</u>

**Governmental Activities.** Governmental activities decreased the City's net assets by \$43,846 in the current year compared with a \$256,628 decrease in the prior year. Total governmental activities revenues increased \$875,180 to \$7,373,731. Total governmental activities expenses increased \$396,200 (6%) from the prior year. Key elements of these changes are as follows.

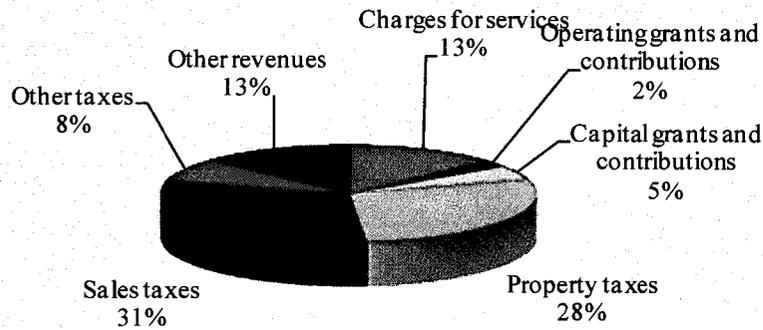
- Charges for service revenue decreased \$114,994 (11%). Revenue in the current year from the City's 2 red light cameras decreased \$103,677 because the number of citizens that ran the red lights decreased once citizens became aware of the cameras.
- Property tax revenue increased \$156,696 (8%) due to a \$0.008532 per \$100 assessed value rate increase and \$29,158,722 increase in appraised value but sales tax revenue decreased \$195,574 (8%) primarily because of the downturn in the economy.
- Capital grants and contributions increased \$254,679 (261%) primarily due to the \$278,184 match received for the TRE sidewalk project.
- Miscellaneous revenue increased \$772,264 (464%) because during the prior year 4 gas wells were completed. The City received a \$653,835 lease bonus, \$56,298 reimbursement for cost of Midway Road project, \$75,280 for surface damages and \$64,954 for royalties on production in the current year compared to \$120,833 for royalties on production in the prior year.
- Police expenses increased \$187,907. \$186,290 of the increase is because salaries, payroll taxes, retirement and insurance increased due to three vacant positions being filled.
- Streets and highways expenses increased \$168,545 (13%). \$144,000 of the increase is due to expenses relating to water line improvements associated with the hotel development on Airline Drive. The City does not own the improvements.

Below are two graphs summarizing governmental revenue and expense:



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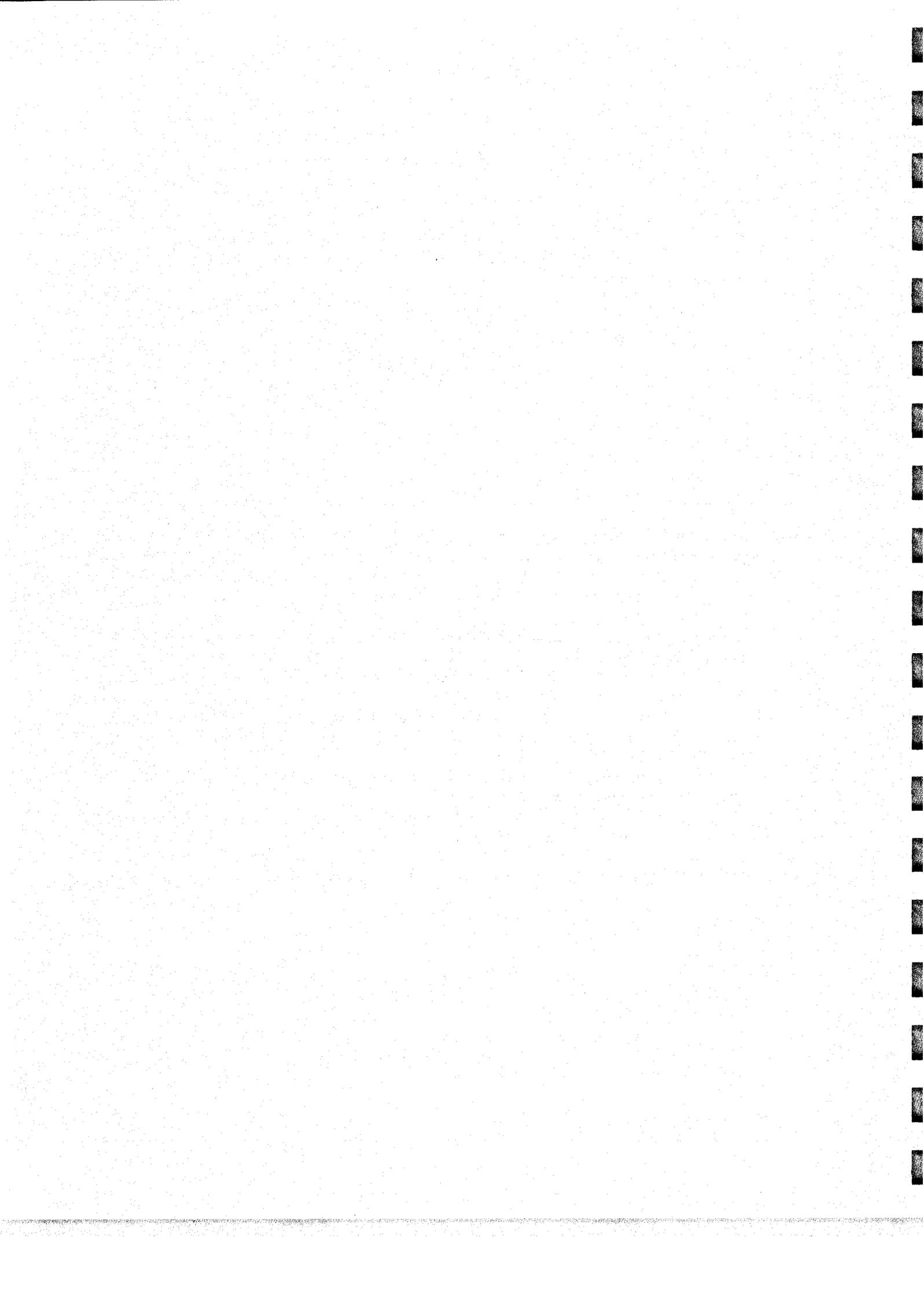
### Revenues by Source - Governmental Activities



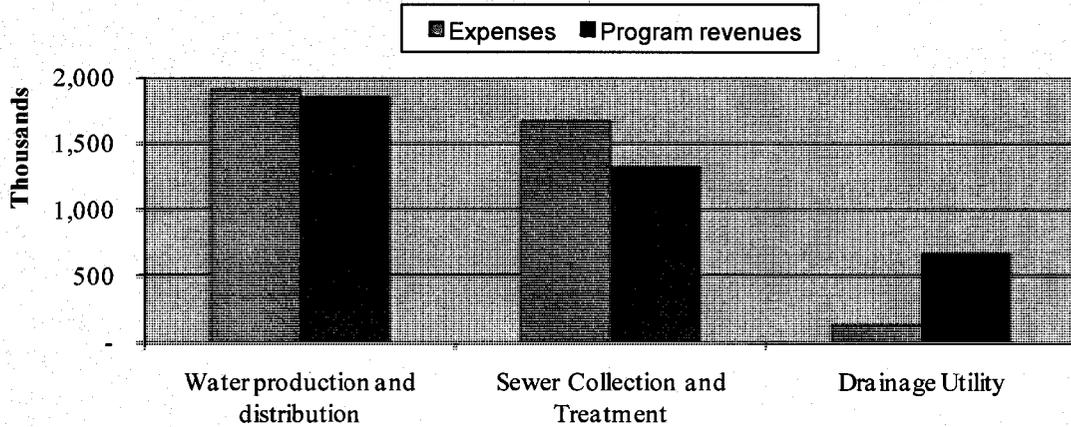
**Business-type activities.** Business-type activities increased the City's net assets by \$406,107 in the current year compared to a decrease in net assets of \$400,121 in the prior year. The business-type activities total revenues increased \$468,786 (14%) to \$3,838,549 and total expenses decreased \$71,241 (2%) to \$3,698,640. Key elements of these changes are as follows.

- Charges for services increased \$518,699 (16%). \$485,000 of the increase is due to drainage utility charges. The City performed a rate study in the previous year and implemented new rates for the 2009 fiscal year. Residential rates increased from \$3 to \$8 per month and commercial rates increased approximately 600% each month.
- The cost of water purchased from the City of Fort Worth increased \$75,562 primarily due to an increase in the volume purchased of 35,932,800 gallons. Water system improvements increased \$116,330 compared to the prior year.
- Wastewater treatment charges from the City of Fort Worth decreased \$181,834 primarily due to a 8,694,016 gallon decrease in the wastewater treated.
- Drainage utility expenses decreased \$116,508 primarily due to a \$107,341 drainage rate study conducted during the prior year.

Below are two graphs summarizing business-type activities revenue and expense:

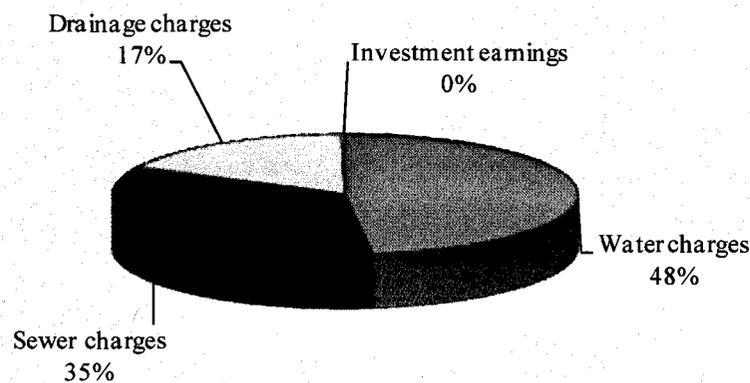


### Expenses and Program Revenues - Business-type Activities



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### Revenues by source - Business-type Activities

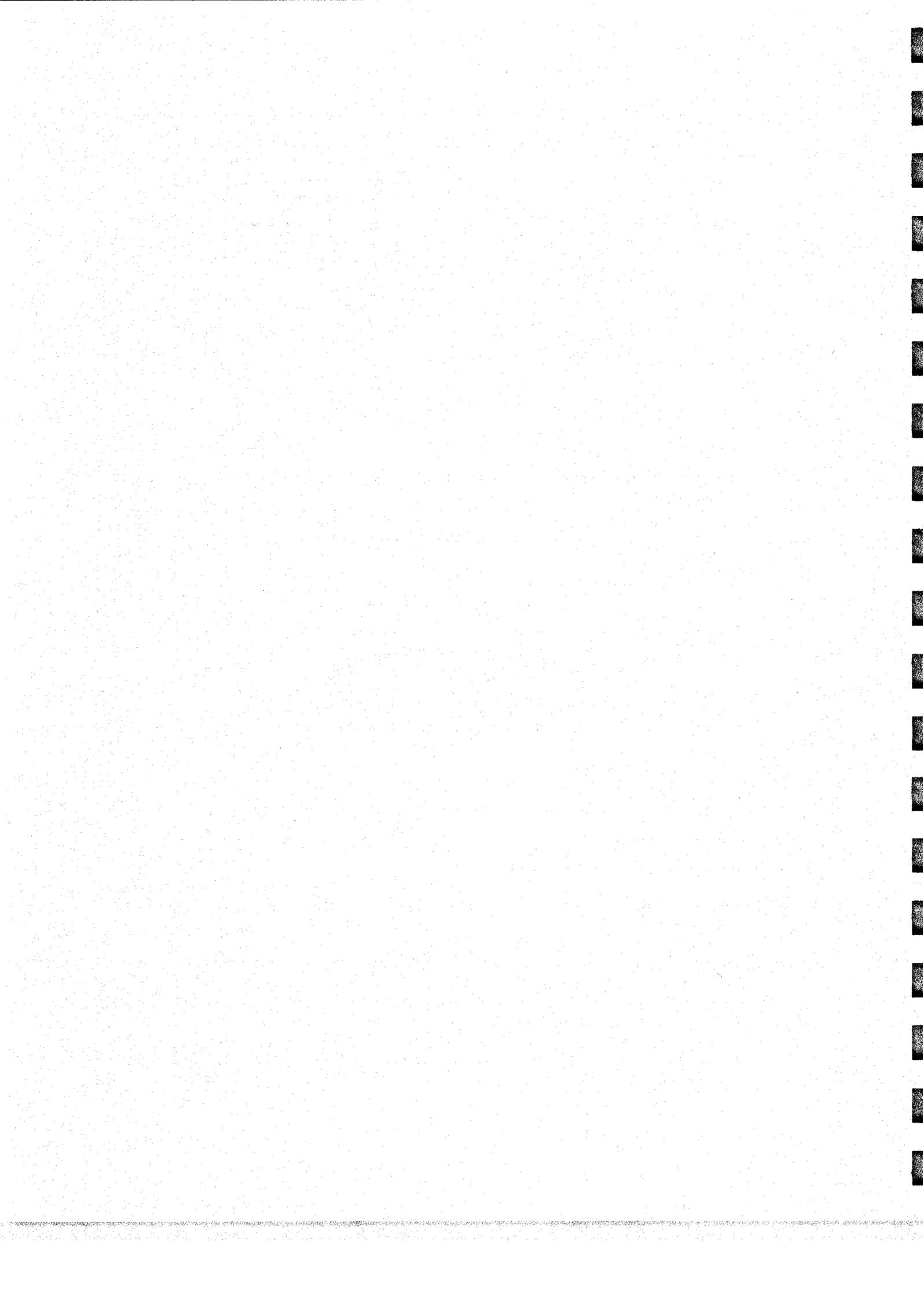


### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$5,011,243. \$4,519,456 (91%) constitutes unreserved fund balance, which is available for spending at the



government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for special projects and debt service.

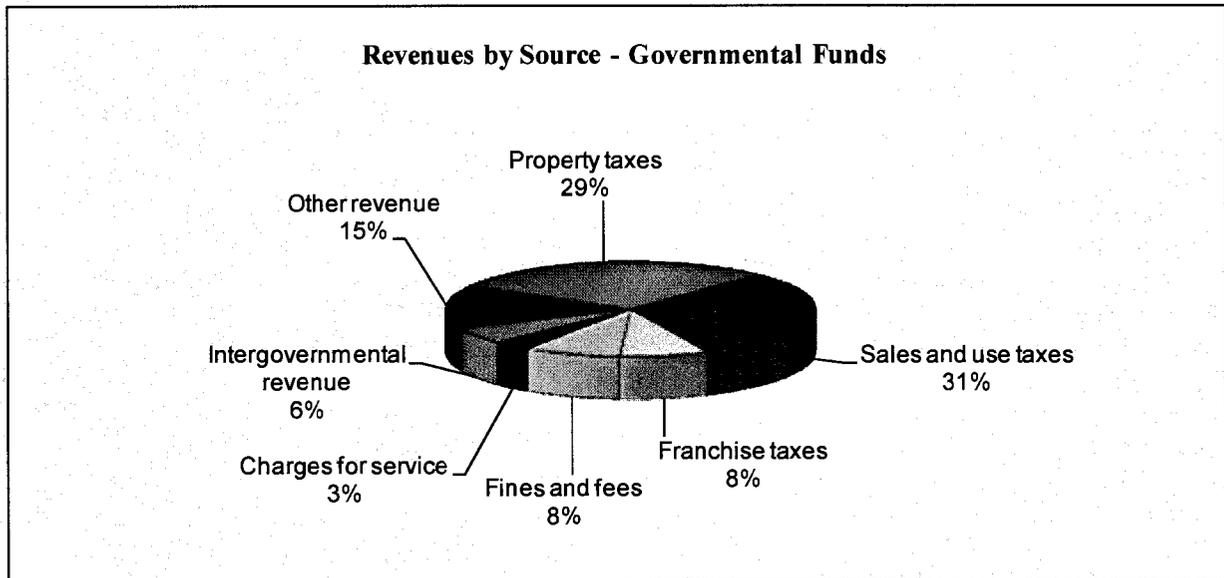
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,483,768. Below is a comparison of the general fund's net change in fund balance for 2009 and 2008.

	2009	2008	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
<b>Taxes:</b>				
General property	\$ 1,851,635	\$ 1,695,291	\$ 156,344	9.22%
Sales and use	1,523,221	1,679,452	(156,231)	-9.30%
Franchise	560,154	551,728	8,426	1.53%
Fines and fees	446,148	450,916	(4,768)	-1.06%
Licenses and permits	69,108	136,745	(67,637)	-49.46%
Charges for service	237,184	237,077	107	0.05%
Intergovernmental revenue	313,325	56,982	256,343	449.87%
Park and recreation	10,164	11,638	(1,474)	-12.67%
Interest income	5,908	46,057	(40,149)	-87.17%
Other revenue	123,612	99,163	24,449	24.66%
<b>Total revenues</b>	<b>5,140,459</b>	<b>4,965,049</b>	<b>175,410</b>	<b>3.53%</b>
<b>Expenditures:</b>				
<b>Current</b>				
General government	301,751	280,406	21,345	7.61%
Legislative	63,333	59,471	3,862	6.49%
Municipal court	218,224	242,309	(24,085)	-9.94%
Police	1,680,320	1,692,778	(12,458)	-0.74%
Fire and ambulance	1,431,749	1,444,786	(13,037)	-0.90%
Code enforcement	166,063	147,498	18,565	12.59%
Animal control	103,605	104,729	(1,124)	-1.07%
Keep Richland Hills Beautiful	11,462	9,084	2,378	26.18%
Street and highways	656,433	439,745	216,688	49.28%
Library	293,622	308,140	(14,518)	-4.71%
Community center	34,607	36,338	(1,731)	-4.76%
Parks and beautification	16,005	11,818	4,187	35.43%
Economic development	77,805	30,266	47,539	157.07%
Capital outlay	51,761	28,769	22,992	79.92%
<b>Total expenditures</b>	<b>5,106,740</b>	<b>4,836,137</b>	<b>270,603</b>	<b>5.60%</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of general capital assets	51,600	32,648	18,952	58.05%
Transfers in	-	-	-	0.00%
Transfers out	(401,311)	(120,610)	(280,701)	232.73%
<b>Net change in fund balances</b>	<b>\$ (315,992)</b>	<b>\$ 40,950</b>	<b>\$ (356,942)</b>	<b>-871.66%</b>

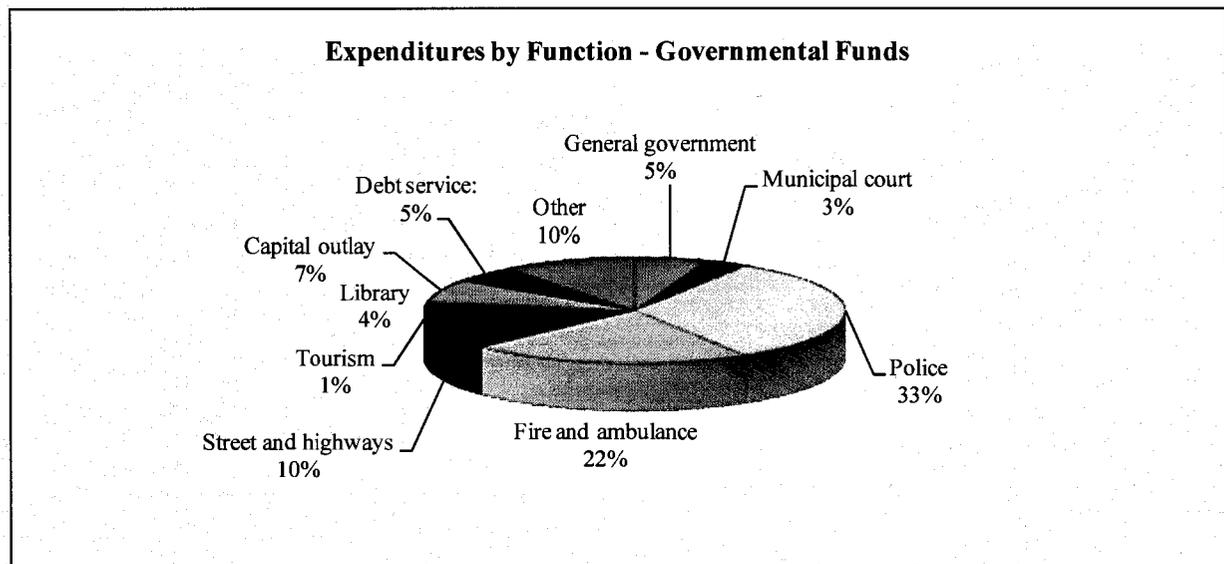
In November 2005, voters elected to create a Crime Control and Prevention District for the primary purpose of funding pay raises to police department employees. The Crime Control and Prevention District is funded with a .375% sales tax. Sales tax revenue of the Crime Control and Prevention District

was \$541,144 and funded police expenditures of \$466,948 during the current year. The Richland Hills Development Corporation is funded with a .125% sales tax. Sales tax revenue of the Richland Hills Development Corporation decreased \$19,506 to \$190,158.

Below are two graphs summarizing governmental fund revenue and expenditures.



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**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to negative \$545,017 and those for the Drainage Utility Fund amounted to \$563,286. The total change in net assets for both funds was (\$122,407) and \$528,514 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

The City amended its budget five times. Differences between the original budget and the final budget were a \$568,126 increase in appropriations. The largest increase in the general fund budget was for streets and highways in the amount of \$395,595. These increases consisted of: \$71,462 for the funding of water line improvements associated with the hotel development on Airline Drive, \$321,133 for the funding of the construction of sidewalks connecting to the TRE Station, and \$3,000 for the funding of Rosebud Park bathroom demolition. Other large increases included a \$33,841 increase in police expenses for the purpose of providing police services to the school district, a \$37,500 increase in economic development expenses for the funding of a Tax Increment Finance District evaluation and a \$20,859 increase to library appropriations for the purchase of computers and other capital equipment.

During the year, expenditures were less than budgetary estimates however the general government, legislative, fire and ambulance, code enforcement, and community center actual expenditures exceeded budgeted amounts.

Police department actual expenditures were \$252,996 less than budgeted primarily because of vacant positions in the department.

### **Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of September 30, 2009, amounts to \$21,219,345 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, improvements other than buildings, machinery and equipment, and streets.

Major capital asset events during the current fiscal year included the following:

#### **Governmental Activities:**

- (1) 2008 Dodge Durango \$25,726.
- (2) 2008 Dodge Durango \$33,117.
- Asphalt overlay and curb and gutter replacement on Maple Park costing \$78,917 funded with CDBG grant.
- Midway Road project costing \$134,449.
- Construction in progress of \$236,263 for TRE sidewalk project.

#### **Business-type activities:**

- Construction in progress of \$491,866 for sewer system improvements.
- Construction in progress of \$186,600 for engineering related to drainage improvements.
- \$127,180 for London Lane tank renovations.
- \$81,174 SWR trailer.
- \$66,804 water and sanitary water GIS system.

**The City of Richland Hills's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 325,343	\$ 325,343	\$ 207,267	\$ 207,267	\$ 532,610	\$ 532,610
Construction in progress	375,588	137,258	684,046	54,023	1,059,634	191,281
Land Improvements	203,721	203,747	162,695	167,807	366,416	371,554
Buildings	1,226,238	1,284,083	14,447	18,432	1,240,685	1,302,515
Water and sewer systems	-	-	10,168,677	10,308,320	10,168,677	10,308,320
Machinery and equipment	1,117,346	1,394,793	209,405	196,489	1,326,751	1,591,282
Roads	6,524,572	7,125,838	-	-	6,524,572	7,125,838
<b>Total</b>	<b>\$ 9,772,808</b>	<b>\$ 10,471,062</b>	<b>\$ 11,446,537</b>	<b>\$ 10,952,338</b>	<b>\$ 21,219,345</b>	<b>\$ 21,423,400</b>

Additional information on the City's capital assets can be found in note 1.6. and note 6 to the financial statements.

**Long-Term Debt**

**City of Richland Hills's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Certificates of Obligation	\$ 770,000	\$ 855,000	\$ 4,245,000	\$ 4,515,000	\$ 5,015,000	\$ 5,370,000
Tax Notes	409,000	536,000	-	-	409,000	536,000
Contractual Obligation	485,000	515,000	-	-	485,000	515,000
Capital Leases Payable	-	-	343,336	384,306	343,336	384,306
Revenue bonds	-	-	1,525,000	1,610,000	1,525,000	1,610,000
<b>Total</b>	<b>\$ 1,664,000</b>	<b>\$ 1,906,000</b>	<b>\$ 6,113,336</b>	<b>\$ 6,509,306</b>	<b>\$ 7,777,336</b>	<b>\$ 8,415,306</b>

The City's outstanding debt continues to have favorable ratings. The ratings are as follows:

	Moody's Investor Service
Combination Tax and Revenue Certificates of Obligation, Series 2001	A3
Combination Tax and Water and Sewer Revenue Certificates of Obligations, Series 1998	A3
Waterworks and Sewer System Revenue Bonds, Series 2002	Baa1
Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2007	A3

No direct funded debt limitation is imposed on the City under current state law or the City's Home Rule Charter. However, bond covenant requirements of the revenue bonds require that the City maintain a coverage ratio of 1.25 times the annual debt service. The measure of adequacy of service ability of this

debt is the revenue bond coverage factor (net revenues available for debt service divided by the current debt service requirements). For the current fiscal year, this ratio is measured at .47, meaning sufficient net revenues were not available to comply with this bond covenant. Comparative data for the Water and Sewer Fund for the past three fiscal years is presented in the following schedule:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross Revenues	\$ 3,175,814	\$ 3,184,647	\$ 2,944,485
Direct Operating Expenses	\$ 2,865,188	\$ 2,833,896	\$ 2,889,517
Net Revenue Available for Debt	\$ 310,626	\$ 350,751	\$ 54,968
Debt Service	\$ 665,050	\$ 668,825	\$ 535,633
Debt Coverage Ratio (Revenue available for Debt Service divided by current year debt service)	0.47	0.52	0.10

More detailed information about the City's debt is presented in note 7 to the Financial Statements.

#### **Economic factors and the Next Year's Budgets and Rates**

The property tax rate for the City was increased \$.013840 to \$.473042 per \$100 taxable value for the 2009-2010 fiscal year. The taxable assessed value for the 2009-2010 fiscal year decreased \$5,952,079 to \$451,992,814.

The decrease in assessed value is expected to decrease general fund current property tax revenue by \$15,805. Sales and use tax revenue is budgeted to decrease by \$40,881 from 2008 - 2009 actual revenue. The most significant increase in general fund revenues are \$60,497 for COPS 29 Victim Liaison Fund grant and \$147,543 in COPS Law Enforcement Grant. Total general fund revenues are budgeted to increase by \$49,980 from 2008 - 2009 actual revenues.

Total expenditures for the general fund are budgeted to increase by \$88,781 over 2008 - 2009 actual expenditures. The largest increase is in the police department for salaries and related costs for new positions funded with grants.

The City approved increasing water and wastewater rates effective October 1, 2008. 2009 - 2010 operating revenue of the water and sewer fund is budgeted to increase \$39,744 from 2008 - 2009 amounts.

Operating expenses of the water and sewer fund are budgeted to decrease \$197,312 from 2008 - 2009 actual amounts. \$116,100 of the budgeted decrease is in water charges from the City of Fort Worth.

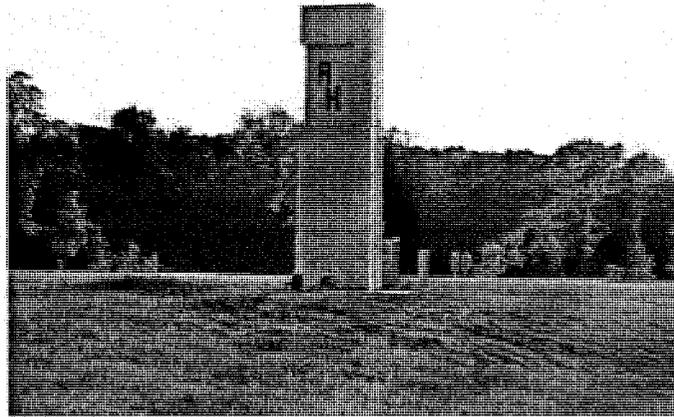
In 2010 the City has contracted for an evaluation of the water and wastewater demands, water and wastewater cost of service and to develop a 10-year revenue model and associated rates.

During the 2008 fiscal year the City completed a comprehensive drainage plan and fee schedule. The plan calls for \$8-\$10 million in drainage improvements over the next 5-10 years. September 23, 2008, the City Council approved Ordinance 1121-08 which sets rates for the drainage utility fund for the next ten years. For the 2008-2009 fiscal year revenue is increased approximately 275% due to the new fee schedule. Rates will increase each October 1<sup>st</sup>. March 9, 2010 the City authorized the issuance of \$2,750,000 Combination Tax and Water and Sewer Revenue Certificates of Obligation for drainage utility improvements.

### **Request for Information**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3200 Diana Drive, Richland Hills, Texas 76118.

## **BASIC FINANCIAL STATEMENTS**



**Richland Hills**, *We're in the middle of things...*

CITY OF RICHLAND HILLS, TEXAS  
Statement of Net Assets  
September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,759,085	\$ 208,463	\$ 1,967,548
Investments	2,063,777	676,328	2,740,105
Receivables (Net of allowances for uncollectibles)			
Property taxes, delinquent	95,760	-	95,760
Sales and use taxes	397,597	-	397,597
Franchise taxes	288,697	-	288,697
Accounts	-	548,426	548,426
Fines and fees	130,261	-	130,261
Hotel occupancy tax	9,121	-	9,121
EMS charges	289,726	-	289,726
Intergovernmental	268,714	-	268,714
Miscellaneous	8,415	-	8,415
Internal balances	994,534	(994,534)	-
Supplies inventory - at cost	-	12,990	12,990
Restricted assets:			
Cash and cash equivalents	-	620,172	620,172
Investments	-	1,099,443	1,099,443
Deferred Charges	20,051	153,082	173,133
Capital assets (net of accumulated depreciation):			
Land	325,343	207,267	532,610
Construction in progress	375,588	684,046	1,059,634
Buildings	1,226,238	14,447	1,240,685
Improvements other than buildings	203,721	162,695	366,416
Water and sewer systems	-	10,168,677	10,168,677
Machinery and equipment	1,117,346	209,405	1,326,751
Streets	6,524,572	-	6,524,572
<b>Total Assets</b>	<b>16,098,546</b>	<b>13,770,907</b>	<b>29,869,453</b>
<b>LIABILITIES:</b>			
Accounts Payable	309,912	264,331	574,243
Unearned revenue	17,332	-	17,332
Current Liabilities Payable from Restricted Assets:			
Interest payable	8,683	44,442	53,125
Customer deposits	-	95,271	95,271
Noncurrent liabilities:			
Due Within One Year	459,584	445,628	905,212
Due in More Than One Year	1,480,650	5,770,306	7,250,956
<b>Total Liabilities</b>	<b>2,276,161</b>	<b>6,619,978</b>	<b>8,896,139</b>
<b>NET ASSETS:</b>			
Investments in Capital Assets, Net of Debt	8,108,808	6,093,323	14,202,131
Restricted for Debt Service (Expendable)	141,771	1,039,337	1,181,108
Restricted for Traffic Safety Programs (Expendable)	297,944	-	297,944
Unrestricted Net Assets	5,273,862	18,269	5,292,131
<b>Total Net Assets</b>	<b>\$ 13,822,385</b>	<b>\$ 7,150,929</b>	<b>\$ 20,973,314</b>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS  
Statement of Activities  
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 396,736	\$ 2,595	\$ -	\$ -
Legislative	86,980	-	-	-
Municipal court	198,524	73,618	-	-
Police	2,349,015	371,968	8	-
Traffic safety	195,148	168,079	-	-
Fire and ambulance	1,616,348	232,783	-	-
Code enforcement	161,647	69,107	-	-
Animal control	119,362	4,872	10,297	-
Keep Richland Hills Beautiful	11,462	-	15,000	-
Street and highways	1,445,582	5,293	113,319	352,102
Library	317,101	2,861	16,138	-
Community center	43,719	16,220	-	-
Parks and beautification	46,457	-	10,164	-
Economic development	80,451	-	-	-
Interest on long-term debt	82,847	-	-	-
<b>Total governmental activities</b>	<b>7,151,379</b>	<b>947,396</b>	<b>164,926</b>	<b>352,102</b>
Business-type activities:				
Water production and distribution	1,903,276	1,845,061	-	-
Sewer Collection and Treatment	1,661,146	1,322,066	-	-
Drainage Utility	134,218	662,405	-	-
<b>Total business-type activities</b>	<b>3,698,640</b>	<b>3,829,532</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 10,850,019</b>	<b>\$ 4,776,928</b>	<b>\$ 164,926</b>	<b>\$ 352,102</b>

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Property Taxes, levied for debt service

Sales Taxes

Franchise Taxes

Hotel Occupancy Taxes

Investment Earnings

Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets October 1, 2008

Net Assets September 30, 2009

The notes to the financial statements are an integral part of this statement.

**EXHIBIT B-1**

Net (Expense) Revenue and Changes in Net Assets

		<u>Primary Government</u>			
<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
<u>Activities</u>		<u>Activities</u>			
\$	(394,141)	\$		\$	(394,141)
	(86,980)				(86,980)
	(124,906)				(124,906)
	(1,977,039)				(1,977,039)
	(27,069)				(27,069)
	(1,383,565)				(1,383,565)
	(92,540)				(92,540)
	(104,193)				(104,193)
	3,538				3,538
	(974,868)				(974,868)
	(298,102)				(298,102)
	(27,499)				(27,499)
	(36,293)				(36,293)
	(80,451)				(80,451)
	(82,847)				(82,847)
	<u>(5,686,955)</u>		<u>-</u>		<u>(5,686,955)</u>
			(58,215)		(58,215)
			(339,080)		(339,080)
			528,187		528,187
	<u>-</u>		<u>130,892</u>		<u>130,892</u>
\$	<u>(5,686,955)</u>	\$	<u>130,892</u>	\$	<u>(5,556,063)</u>
\$	1,855,901	\$	-	\$	1,855,901
	228,068		-		228,068
	2,262,356		-		2,262,356
	562,590		-		562,590
	52,079				52,079
	9,476		9,017		18,493
	938,837				938,837
	(266,198)		266,198		-
	<u>5,643,109</u>		<u>275,215</u>		<u>5,918,324</u>
	(43,846)		406,107		362,261
	<u>13,866,231</u>		<u>6,744,822</u>		<u>20,611,053</u>
\$	<u>13,822,385</u>	\$	<u>7,150,929</u>	\$	<u>20,973,314</u>

## CITY OF RICHLAND HILLS, TEXAS

Balance Sheet  
Governmental Funds  
September 30, 2009

	<u>General</u>	<u>Oil &amp; Gas Lease</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 557,096	\$ 258,149	\$ 943,840	\$ 1,759,085
Investments	1,063,940	599,877	399,960	2,063,777
Receivables (Net of allowances for uncollectibles)				
Property taxes, delinquent	86,183	-	9,576	95,760
Sales and use taxes	126,387	-	60,111	186,497
Franchise taxes	28,372	-	-	28,372
Fines	-	-	20,109	20,109
Hotel occupancy tax			9,121	9,121
Intergovernmental	268,714			268,714
Miscellaneous		8,415	-	8,415
Due from other funds	<u>1,066,937</u>	<u>-</u>	<u>287,305</u>	<u>1,354,243</u>
<b>Total assets</b>	<b>\$ <u>3,197,629</u></b>	<b>\$ <u>866,441</u></b>	<b>\$ <u>1,730,022</u></b>	<b>\$ <u>5,794,093</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 239,522	\$ 34,390	\$ 36,000	\$ 309,912
Due to other funds	287,305	534	71,869	359,709
Deferred and unearned revenue	<u>103,653</u>	<u>-</u>	<u>9,576</u>	<u>113,229</u>
<b>Total liabilities</b>	<b><u>630,480</u></b>	<b><u>34,924</u></b>	<b><u>117,445</u></b>	<b><u>782,850</u></b>
<b>Fund Balances:</b>				
Reserved for police station improvement	5,832			5,832
Reserved for parks and beautification	17,568			17,568
Reserved for library	17,670			17,670
Reserved for animal services	42,311			42,311
Reserved for debt service			132,211	132,211
Reserved for traffic safety programs			276,195	276,195
Unreserved, reported in:				
General Fund	2,483,768			2,483,768
Special Revenue Fund				
Designated for capital improvements			525,732	525,732
Unreserved, undesignated			476,527	476,527
Capital Projects Funds				
Designated for capital improvements		<u>831,517</u>	<u>201,912</u>	<u>1,033,429</u>
<b>Total fund balances</b>	<b><u>2,567,149</u></b>	<b><u>831,517</u></b>	<b><u>1,612,577</u></b>	<b><u>5,011,243</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>3,197,629</u></b>	<b>\$ <u>866,441</u></b>	<b>\$ <u>1,730,022</u></b>	<b>\$ <u>5,794,093</u></b>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS  
 Reconciliation of the Governmental Funds Balance Sheet  
 To the Statement of Net Assets  
 September 30, 2009

Total Fund Balances - Governmental Funds	5,011,243
Capital assets used in governmental activities are not financial resources and therefore are reported in the governmental funds. The cost of these assets was \$26,523,937 and the accumulated depreciation was \$16,751,129.	9,772,808
Capitalized bond issuance costs related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	20,051
Long-term liabilities, including \$1,664,000 bonds payable, \$67,650 in net pension obligation payable, and \$208,584 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(1,940,234)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(8,683)
Property taxes receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	95,897
Franchise taxes receivable, sales tax receivable, fines and fees and EMS charges receivable are not available soon enough to pay for the current period's expenditures and therefore are not reported in the fund financial statements. The effect of recognizing \$260,325 franchise taxes receivable, \$211,100 sales tax receivable, \$110,152 fines and fees and \$289,726 EMS charges receivable is an increase to net assets.	871,303
Net Assets of Governmental Activities	<u>13,822,385</u>

CITY OF RICHLAND HILLS, TEXAS  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the fiscal year ended September 30, 2009

EXHIBIT C-3

	General	Oil & Gas Lease	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
General property	\$ 1,851,635	\$ -	\$ 227,533	2,079,168
Sales and use	1,523,221	-	731,302	2,254,523
Franchise	560,154	-	-	560,154
Hotel occupancy tax			52,079	52,079
Fines and fees	446,148	-	168,080	614,228
Licenses and permits	69,108	-	-	69,108
Charges for service	237,184	-	-	237,184
Intergovernmental revenue	313,325	-	113,319	426,644
Park and recreation	10,164	-	-	10,164
Interest income	5,908	432	3,136	9,476
Other revenue	123,612	850,368	-	973,980
<b>Total revenues</b>	<b>5,140,459</b>	<b>850,800</b>	<b>1,295,449</b>	<b>7,286,708</b>
<b>Expenditures:</b>				
Current				
General government	301,751	-	56,383	358,134
Legislative	63,333	-	-	63,333
Municipal court	218,224	-	-	218,224
Police	1,680,320	-	466,948	2,147,268
Traffic safety	-	-	195,148	195,148
Tourism	-	-	30,339	30,339
Fire and ambulance	1,431,749	-	-	1,431,749
Code enforcement	166,063	-	-	166,063
Animal control	103,605	-	-	103,605
Keep Richland Hills Beautiful	11,462	-	-	11,462
Street and highways	656,433	-	-	656,433
Library	293,622	-	-	293,622
Community center	34,607	-	-	34,607
Parks and beautification	16,005	-	-	16,005
Economic development	77,805	-	-	77,805
Capital outlay	51,761	139,993	281,239	472,993
Debt service:				
Principal	-	-	242,000	242,000
Interest and fiscal charges	-	-	79,663	79,663
<b>Total expenditures</b>	<b>5,106,740</b>	<b>139,993</b>	<b>1,351,720</b>	<b>6,598,453</b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>\$ 33,719</b>	<b>\$ 710,807</b>	<b>\$ (56,271)</b>	<b>688,255</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of general capital assets	51,600	-	-	51,600
Transfers in	-	-	260,887	260,887
Transfers out	(401,311)	-	(125,774)	(527,085)
<b>Total other financing sources (uses)</b>	<b>(349,711)</b>	<b>-</b>	<b>135,113</b>	<b>(214,598)</b>
<b>Net change in fund balances</b>	<b>(315,992)</b>	<b>710,807</b>	<b>78,842</b>	<b>473,657</b>
<b>Fund balance, October 1, 2008</b>	<b>2,883,141</b>	<b>120,710</b>	<b>1,533,735</b>	<b>4,537,586</b>
<b>Fund balance, September 30, 2009</b>	<b>\$ 2,567,149</b>	<b>\$ 831,517</b>	<b>\$ 1,612,577</b>	<b>5,011,243</b>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS  
 Reconciliation of Statement of Revenues,  
 Expenditures and Changes in Fund Balances of  
 The Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2009

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	473,657
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$645,860 of capital outlays and \$242,000 of debt principal payments is to increase net assets.	887,860
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals and transfers between activities) is to decrease net assets.	(21,649)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(1,322,465)
Current year interest payable, net pension obligation, and compensated absences of the governmental funds are not due and payable in the current period and deferred charges are not financial resources of the current period, and, therefore are not reported as liabilities or assets in the funds. The \$1,171 decrease in interest payable, \$67,650 increase in net pension obligation, \$1,479 decrease in compensated absences and \$4,355 decrease in deferred charges decreases net assets.	(69,355)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,106
Change in Net Assets of Governmental Activities	(43,846)

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS

Statement of Net Assets

Proprietary Funds

September 30, 2009

	<u>Water and Sewer Fund</u>	<u>Drainage Utility Fund</u>	<u>Totals</u>
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 3,850	\$ 204,613	\$ 208,463
Investments	476,219	200,109	676,328
Receivables (Net of allowance for uncollectibles):	.		
Accounts	548,426	-	548,426
Due from other funds	-	170,246	170,246
Supplies inventory	12,990	-	12,990
<b>Restricted Assets:</b>			
Cash and cash equivalents	620,172	-	620,172
Investments	1,099,443		1,099,443
<b>Total current assets</b>	<u>2,761,100</u>	<u>574,968</u>	<u>3,336,068</u>
<b>Noncurrent Assets:</b>			
Deferred Charges	153,082	-	153,082
<b>Capital assets, at cost:</b>			
Land	207,267	-	207,267
Construction in progress	497,446	186,600	684,046
Buildings	193,430	-	193,430
Improvements other than buildings	27,692	160,088	187,780
Waterworks and sewer system	15,189,004	-	15,189,004
Equipment	966,894	73,266	1,040,160
	17,081,733	419,954	17,501,686
Less: accumulated depreciation	(6,004,094)	(51,056)	(6,055,150)
<b>Capital assets, net</b>	<u>11,077,639</u>	<u>368,898</u>	<u>11,446,537</u>
<b>Total noncurrent assets</b>	<u>11,230,721</u>	<u>368,898</u>	<u>11,599,619</u>
<b>Total assets</b>	<u>\$ 13,991,821</u>	<u>\$ 943,866</u>	<u>\$ 14,935,687</u>

The notes to the financial statements are an integral part of this statement.

	<u>Water and Sewer Fund</u>	<u>Drainage Utility Fund</u>	<u>Totals</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 257,700	\$ 6,631	\$ 264,331
Compensated absences payable	27,814		27,814
Due to other funds	947,127	3,903	951,030
<b>Current Liabilities Payable from Restricted Assets:</b>			
Current portion of long-term debt	417,814	-	417,814
Interest payable	44,442	-	44,442
Due to other funds	213,750		213,750
Customer deposits payable	95,271	-	95,271
<b>Total current liabilities</b>	<u>2,003,918</u>	<u>10,534</u>	<u>2,014,452</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences payable	56,816		56,816
Net pension obligation	16,820	1,148	17,968
Capital leases payable	300,522		300,522
Revenue bonds payable	5,395,000	-	5,395,000
<b>Total noncurrent liabilities</b>	<u>5,769,158</u>	<u>1,148</u>	<u>5,770,306</u>
<b>Total liabilities</b>	<u>7,773,076</u>	<u>11,682</u>	<u>7,784,758</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of debt	5,724,425	368,898	6,093,323
Restricted for debt service (Expendable)	1,039,337	-	1,039,337
Unrestricted	(545,017)	563,286	18,269
<b>Total net assets</b>	<u>6,218,745</u>	<u>932,184</u>	<u>7,150,929</u>

CITY OF RICHLAND HILLS, TEXAS  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the fiscal year ended September 30, 2009

EXHIBIT D-2

	<u>Water and Sewer Fund</u>	<u>Drainage Utility Fund</u>	<u>Totals</u>
<b>Operating revenues:</b>			
<b>Charges for sales and services:</b>			
Water sales	\$ 1,702,391	\$ -	\$ 1,702,391
Sewer charges	937,407	-	937,407
Late payment fee	94,322	-	94,322
Waste disposal fee	70,644	-	70,644
Billing charges	337,295	662,405	999,700
Miscellaneous fees and charges	25,068	-	25,068
	<u>3,167,127</u>	<u>662,405</u>	<u>3,829,532</u>
<b>Total operating revenue</b>			
<b>Operating expenses:</b>			
Administration	822,083	-	822,083
Operations	2,043,106	117,769	2,160,875
Depreciation	416,159	16,449	432,608
	<u>3,281,348</u>	<u>134,218</u>	<u>3,415,566</u>
<b>Total operating expenses</b>			
<b>Operating income (loss)</b>	<u>(114,221)</u>	<u>528,187</u>	<u>413,966</u>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue	8,690	327	9,017
Bond interest expense	(270,430)	-	(270,430)
Amortization of bond issuance costs	(12,644)	-	(12,644)
	<u>(274,384)</u>	<u>327</u>	<u>(274,057)</u>
<b>Total nonoperating revenues (expenses)</b>			
<b>Transfers in</b>	<u>266,198</u>		<u>266,198</u>
<b>Change in Net Assets</b>	(122,407)	528,514	406,107
<b>Net Assets, October 1, 2008</b>	<u>6,341,152</u>	<u>403,670</u>	<u>6,744,822</u>
<b>Net Assets, September 30, 2009</b>	<u>\$ 6,218,745</u>	<u>\$ 932,184</u>	<u>\$ 7,150,929</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHLAND HILLS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
For the fiscal year ended September 30, 2009

EXHIBIT D-3

	Water and Sewer Fund	Drainage Utility Fund	Totals
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 3,152,534	\$ 546,883	\$ 3,699,417
Cash paid to suppliers	(2,173,526)	(60,765)	(2,234,291)
Cash paid to employees	(766,213)	(54,343)	(820,556)
Net cash provided by operating activities	212,795	431,775	644,570
<b>Cash flow from noncapital financing activities:</b>			
Transfers in	266,198	-	266,198
Net cash provided (used) by noncapital financing activities	266,198	-	266,198
<b>Cash flow from capital and related financing activities:</b>			
Principal payments on long-term debt	(395,971)	-	(395,971)
Increase (decrease) in due to other funds	(122,244)	-	(122,244)
Miscellaneous Receivable	26,898	-	26,898
Capital expenditures	(734,314)	(192,492)	(926,806)
Interest paid on bonds	(270,428)	-	(270,428)
Net cash (used) by capital and related financing activities	(1,496,059)	(192,492)	(1,688,551)
<b>Cash flow from investing activities:</b>			
Interest received	12,213	516	12,729
Net cash provided by investing activities	12,213	516	12,729
Net increase (decrease) in cash and cash equivalents	(1,004,853)	239,799	(765,054)
Cash and cash equivalents, October 1, 2008	3,204,537	164,923	3,369,460
Cash and cash equivalents, September 30, 2009	\$ 2,199,684	\$ 404,722	\$ 2,604,406
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (114,221)	\$ 528,187	\$ 413,966
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	416,159	16,449	432,608
(Increase) decrease in accounts receivable	(23,019)	-	(23,019)
(Increase) decrease in due from other funds	-	(119,424)	(119,424)
Increase (decrease) in accounts payable and accrued liabilities	25,500	2,660	28,160
Increase (decrease) in due to other funds	(100,051)	3,903	(96,148)
Increase (decrease) in customer meter deposits	8,427	-	8,427
Total adjustments	327,016	(96,412)	230,604
Net cash provided by operating activities	\$ 212,795	\$ 431,775	\$ 644,570

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Richland Hills is a municipal corporation governed by an elected mayor and five-member council. The financial statements of the City of Richland Hills, Texas ("City") include all governmental activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has two blended component units, which have September 30 year-ends.

*Blended Component Units.*

The Richland Hills Development Corporation (a nonprofit development corporation formed under the Development corporation act of 1979, Texas Rev Civil Statute) was incorporated June 28, 1996. The corporation serves all citizens of the city and is governed by a board of seven directors appointed by the City Council. Four of the directors are council member directors and three are citizen member directors. The purpose of the Corporation is to promote infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City by developing, implementing, providing, and financing projects. Operation of the Corporation is funded by .125 percent sales tax approved by the voters. The corporation is reported as a Special Revenue Fund.

November 8, 2005, citizens of the City of Richland Hills voted to create the Richland Hills Crime Control and Prevention District (the "District") dedicated to crime reduction programs. The City Council serves as the board of directors for the District. Operation of the District is funded by .325 percent sales tax approved by the voters. The District is reported as a Special Revenue Fund because the District's governing body is the same as that of the City.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *water and sewer fund* is used to account for the operation of the water and sewage systems for the City.

Additionally, the government reports the following fund and fund types:

The *special revenue funds* are governmental funds that account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The *drainage utility fund* is used to account for the construction and maintenance of the drainage system for the city.

The government applies all GASB pronouncements as well as FASB Statements and Interpretations issued after November 30, 1989, in accounting and reporting for its business-type activities and enterprise funds, unless those FASB Statements and Interpretations conflict with or contradict GASB pronouncements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds, distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and drainage utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Assets reported as cash and cash equivalents and investments are considered cash and cash equivalents for the statement of cash flows.

**2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts of \$343,228 in the water and sewer fund. The property tax receivable allowance of \$36,935 and \$4,104 for the general fund and debt service fund respectively, is based upon historical experience and is equal to 30% of outstanding delinquent property taxes at September 30.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Property Tax**

Ad valorem property taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year.

**4. Inventory**

The inventory of supplies held by the Enterprise Funds is valued at cost using the first-in-first-out ("FIFO") method.

**5. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays allowance for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer fund during the current fiscal year was \$270,428. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with water and sewer construction projects.

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Building and improvements	20 - 40 years
Office equipment	5 - 20 years
Autos and trucks	4 - 5 years
Equipment	3 - 20 years
Waterworks and sewer system	5 - 40 years
Infrastructure	20 - 40 years

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. *Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Sick pay benefits are not paid upon separation therefore no liability is reported for unpaid accumulated sick leave. Vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**7. *Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. *Fund Equity***

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by an outside party for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**9. *Use of Estimates***

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

**10. *Comparative Data***

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 2: DEPOSITS AND INVESTMENTS**

The State Public Funds Investment Act authorize the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, bankers' acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2009, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). The City's investment pool operates in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the City's position is the same as the value of the City's shares.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At September 30, 2009, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

**Credit Risk– Investments**

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

**Interest Rate Risk – Investments**

The City manages interest rate risk by structuring its portfolio so that it will experience minimal volatility during economic cycles. This is accomplished by purchasing high quality, short to medium term securities which will complement each other. The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity date of each security.

The City's investments at September 30, 2009 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Bills	N/A	3 months average	99.90%	\$ 3,499,215	\$ 3,499,062
Investment in Tex-Pool	AAAm	68 days	0.10%	3,603	3,603
				<u>\$ 3,502,818</u>	<u>\$ 3,502,665</u>

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 3: RESTRICTED ASSETS**

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond ordinances and other legal restrictions. Enterprise Funds restricted assets are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Current	
2002 Revenue Bonds I&S	
Cash	\$ 47,226
2002 Revenue Bonds Reserve	
Cash	18,935
U.S. Treasury Bills	299,773
EPA Waste Water	
Cash	35,391
U.S. Treasury Bills	299,773
2007 Revenue Bonds Construction	
Cash	392,214
U.S. Treasury Bills	499,897
2007 Revenue Bonds I&S	
Cash	31,135
Cash - Customer Deposits	95,271
Total Current	\$ <u>1,719,615</u>

**NOTE 4: DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue were as follows:

Deferred property taxes receivable (general fund)	\$ 86,183
Deferred property taxes receivable (debt service fund)	9,576
Other unearned revenue	<u>17,470</u>
Total deferred revenue for governmental funds	\$ <u>113,229</u>

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

The composition of interfund balances for the City's individual major funds and nonmajor funds as of September 30, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Oil and Gas Lease Fund	\$ 534
	Other Governmental Funds	388,813
	Drainage Utility	3,903
	Water and Sewer	673,688
Other Governmental Funds	General	287,305
<b>Total Governmental Funds</b>		<b>\$ <u>1,354,243</u></b>
Drainage Utility	Water and Sewer	<b>\$ <u>170,246</u></b>

The General fund paid expenditures for the other governmental funds and the Water and Sewer fund but was not reimbursed before year end. The revenue of other governmental funds was deposited into the general fund but not transferred to the appropriate other governmental funds before year end. The water and sewer fund collected customer billing on behalf of the Drainage Utility Fund but did not transfer it before year end.

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2009, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General	\$ 135,113	Capital Outlay
	Other Governmental Funds	125,774	Debt Service
<b>Total Governmental Funds Transfers In</b>		<b>\$ <u>260,887</u></b>	
Water and Sewer	General	<b>\$ <u>266,198</u></b>	

During the year \$250,000 of the balance due to the general fund from the water and sewer fund was reclassified as a permanent transfer. The City expects that the water and sewer fund will be able to repay the balance of the amount owed to the general fund in future years.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Non - Depreciable Assets:</b>				
Land	\$ 325,343	\$ -	\$ -	\$ 325,343
Construction in Progress	137,258	238,330		375,588
<b>Total non-depreciable assets</b>	<u>462,601</u>	<u>238,330</u>	<u>-</u>	<u>700,931</u>
<b>Depreciable Assets:</b>				
Improvements other than buildings	923,674	45,106		968,780
Buildings	2,201,716	3,645		2,205,361
Machinery and equipment	4,784,861	145,413	(499,184)	4,431,090
Streets	18,004,409	213,366		18,217,775
<b>Total capital assets being depreciated</b>	<u>25,914,660</u>	<u>407,530</u>	<u>(499,184)</u>	<u>25,823,006</u>
<b>Accumulated Depreciation:</b>				
Improvements other than buildings	(719,927)	(45,132)		(765,059)
Buildings	(917,633)	(61,490)		(979,123)
Machinery and equipment	(3,390,068)	(401,211)	477,535	(3,313,744)
Streets	(10,878,571)	(814,632)		(11,693,203)
<b>Total accumulated depreciation</b>	<u>(15,906,199)</u>	<u>(1,322,465)</u>	<u>477,535</u>	<u>(16,751,129)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 10,471,062</u>	<u>\$ (676,605)</u>	<u>\$ (21,649)</u>	<u>\$ 9,772,808</u>

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 6: CAPITAL ASSETS - (Continued)**

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Non - Depreciable Assets:</b>				
Land	\$ 207,267	\$ -	\$ -	\$ 207,267
Construction in Progress	54,023	630,024		684,047
<b>Total non-depreciable assets</b>	<b>261,290</b>	<b>630,024</b>	<b>-</b>	<b>891,314</b>
<b>Depreciable Assets:</b>				
Improvements other than buildings	187,780			187,780
Buildings	193,430			193,430
Water and sewer systems	14,979,287	209,716		15,189,003
Machinery and equipment	984,572	87,066	(31,478)	1,040,160
<b>Total capital assets being depreciated</b>	<b>16,345,069</b>	<b>296,782</b>	<b>(31,478)</b>	<b>16,610,373</b>
<b>Accumulated Depreciation:</b>				
Improvements other than buildings	(19,973)	(5,111)		(25,084)
Buildings	(174,998)	(3,985)		(178,983)
Water and sewer systems	(4,670,966)	(349,360)		(5,020,326)
Machinery and equipment	(788,083)	(74,152)	31,478	(830,757)
<b>Total accumulated depreciation</b>	<b>(5,654,020)</b>	<b>(432,608)</b>	<b>31,478</b>	<b>(6,055,150)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 10,952,339</b>	<b>\$ 494,198</b>	<b>\$ -</b>	<b>\$ 11,446,537</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 39,774
Legislative	22,845
Municipal court	7,621
Police	172,334
Fire and ambulance	166,471
Animal control	13,116
Streets and highways	835,520
Library	26,538
Community center	7,794
Parks and beautification	30,452
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,322,465</b>

Business-type activities:

Water production and distribution	\$ 205,786
Sewer Collection and Treatment	210,373
Drainage Utility	16,449
<b>Total depreciation expense - business-type activities</b>	<b>\$ 432,608</b>

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 7: LONG-TERM LIABILITIES**

Long-term debt consisted of the following at September 30, 2009.

***Combination Tax and Revenue Certificates of Obligation, Series 2001***

A series of certificates of obligation totaling \$1,325,000 were issued on May 15, 2001 for the construction of street improvements and to pay the costs of issuing the certificates. The City reserves the right to redeem the certificate's maturing on and after August 15, 2011 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2009, or any date thereafter, at a redemption price of par plus accrued interest. Interest rates range from 4.25% to 5.6%. Total maturity of this series is on August 15, 2016. The obligations, and interest, are direct and general obligations of the City and are payable from collection of ad valorem taxes and limited surplus net revenues derived from operation of the water and sewer system, if any. The balance of this obligation at September 30, 2009 is \$770,000.

***City of Richland Hills, Texas Tax Note Series 2005***

A tax note dated February 1, 2005, totaling \$400,000 was purchased by Zions First National Bank on February 23, 2005. The tax note was issued for the purpose of acquiring and purchasing personal property for the City and for paying the costs related to the issuance of the tax note. The interest rate is 3.78% and the obligations mature through February 15, 2012. On August 15, 2008, or on any date thereafter, any outstanding principal installment may be redeemed in whole, prior to its scheduled payment date, at the option of the City, at the price of par plus accrued interest, upon the giving of 45 days written notice to Zions First National Bank. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2009 is \$187,000.

***City of Richland Hills, Texas Tax Note Series 2006***

A tax note dated February 1, 2006, totaling \$415,000 was purchases by Bank of America, N.A. on February 15, 2006. The tax note was issued to purchase computer equipment and software for the police and finance departments of the City, police and fire department equipment, imaging equipment for the City Secretary's office, vehicles for the police, fire and community development departments of the City, a backhoe for the public works department of the City, library equipment and the legal and fiscal fees in connection with such projects. The interest rate is 3.50% and the obligations mature through August 15, 2012. Principal installments of this note are not subject to redemption in whole or in part prior to their scheduled payment dates. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2009 is \$222,000.

***City of Richland Hills, Public Property Finance Contractual Obligation Series 2007***

A series of contractual obligations totaling \$535,000 dated February 1, 2007 were issued for the purpose of paying all or a portion of the Issuer's contractual obligations to be incurred in connection with the acquisition or purchase of personal property, in accordance with the provisions of the Public Property Finance Act, and to pay the costs incurred in connection with the issuance of the contractual obligation. The interest rate is 3.825% and the obligation matures through August 15, 2022. Principal and interest are payable from ad valorem taxes. The balance of this obligation at September 30, 2009 is \$485,000.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

***1998 Combination Tax and Water and Sewer Revenue Certificates of Obligation***

The U.S. Environmental Protection Agency issued an Administrative Order to the City, mandating millions of dollars of improvements to the wastewater system within the City. The City obtained from the Texas Water Development Board a loan in the amount of \$4 million and in turn the City approved the issuance of Certificates of Obligation in the amount of \$4 million to be used to secure the loan. A monthly charge in the amount of \$8.17 per wastewater service customer is used to repay this Certificate of Obligation. Interest rates range from 2.65% to 3.90% and the obligation's last payment date is August 15, 2018. The balance of this certificate of obligation is \$2,285,000 at September 30, 2009.

***Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2007***

Certificates of Obligation dated March 15, 2007, were issued for paying all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land as necessary and (ii) legal, fiscal, design and engineering fees in connection with such projects. On August 15, 2017, or on any date thereafter, the certificates of this series having stated maturities on and after August 15, 2018, may be redeemed prior to their scheduled maturities, at the option of the issuer with funds derived from any available and lawful source, as a whole, or in part, in principal amounts of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest. Interest rates range from 3.6% to 4.0%. Total maturity of this series is on August 15, 2027. Ad valorem taxes and the surplus revenues of the water and sewer fund are pledged to the payment of the certificates, however, if surplus revenues or other lawfully available funds of the City are actually on deposit in the interest and sinking fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes required to be levied may be reduced by the revenues on deposit in the interest and sinking fund. The balance of these certificates at September 30, 2009 is \$1,960,000.

***Waterworks and Sewer System Revenue Bonds, Series 2002***

A series of 400 bonds at \$5,000 each dated March 15, 2002, were issued for the public purpose of acquiring, constructing and installing new additions and improvements to the waterworks and sewer system and paying the costs incurred in connection with issuance of the bonds. On August 15, 2012, or on any date thereafter, the bonds of this series having stated maturities on and after August 15, 2013, may be redeemed prior to their scheduled maturities, at the option of the issuer with funds derived from any available and lawful source, as a whole, or in part, in principal amounts of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest. Interest rates range from 4.75% to 5.15%. Total maturity of this series is on August 15, 2022. Principal and interest are payable from net revenues from the water and sewer system. The City is required to maintain a reserve account equal to the average annual debt service requirements. The balance of these bonds at September 30, 2009 is \$1,525,000.

***Compensated absences***

Compensated absences and the net pension obligations of the governmental activities and business-type activities are paid by the general fund and water and sewer fund, respectively.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

The annual requirements to amortize all certificates of obligation, tax notes, contractual obligations and revenue bonds outstanding as of September 30, 2009 are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 251,000	\$ 68,334	\$ 319,334	\$ 375,000	\$ 237,346	\$ 612,346
2011	266,000	58,345	324,345	395,000	221,881	616,881
2012	277,000	47,707	324,707	410,000	206,778	616,778
2013	145,000	37,806	182,806	425,000	190,951	615,951
2014	150,000	31,298	181,298	445,000	174,360	619,360
2015-2019	440,000	66,565	506,565	2,245,000	585,317	2,830,317
2020-2024	135,000	10,327	145,327	1,045,000	206,293	1,251,293
2025-2029	-	-	-	430,000	35,000	465,000
<b>Total debt service requirements</b>	<b>\$ 1,664,000</b>	<b>\$ 320,382</b>	<b>\$ 1,984,382</b>	<b>\$ 5,770,000</b>	<b>\$ 1,857,926</b>	<b>\$ 7,627,926</b>

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2009.

	9/30/2008	Additions	Retirements	9/30/2009	Due Within One Year
<b>Governmental Activities:</b>					
Combination Tax and Revenue Certificates of Obligation, Series 2001	855,000		85,000	770,000	90,000
City of Richland Hills, Texas Tax Note, Series 2005	245,000		58,000	187,000	60,000
City of Richland Hills, Texas Tax Note, Series 2006	291,000		69,000	222,000	71,000
Public Property Finance Contractual Obligation, Series 2007	515,000		30,000	485,000	30,000
Compensated Absences	210,063	229,392	230,871	208,584	208,584
Net Pension Obligation	-	67,650		67,650	-
<b>Total Governmental Activities</b>	<b>2,116,063</b>	<b>297,042</b>	<b>472,871</b>	<b>1,940,234</b>	<b>459,584</b>
<b>Business-type Activities:</b>					
Combination Tax and Revenue Certificates of Obligation, Series 1998	2,480,000		195,000	2,285,000	205,000
Combination Tax and Revenue Certificates of Obligation, Series 2007	2,035,000		75,000	1,960,000	80,000
Capital Lease Payable	384,306		40,970	343,336	42,814
Waterworks and Sewer System Revenue Bonds, Series 2002	1,610,000		85,000	1,525,000	90,000
Compensated Absences	77,940	34,504	27,814	84,630	27,814
Net Pension Obligation	-	17,968		17,968	-
<b>Total Business-type Activities</b>	<b>6,587,246</b>	<b>52,472</b>	<b>423,784</b>	<b>6,215,934</b>	<b>445,628</b>
<b>Total Long-Term Debt</b>	<b>\$ 8,703,309</b>	<b>\$ 349,514</b>	<b>\$ 896,655</b>	<b>\$ 8,156,168</b>	<b>\$ 905,212</b>

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 8: CAPITAL LEASES PAYABLE**

November 3, 2006, the City entered into a lease-purchase agreement with Chase Equipment Leasing, Inc. to finance an electronic meter read project for the water and sewer fund. The total cost of the project was \$581,801. The interest rate is 4.5% per annum. The \$478,191 proceeds of the lease-purchase agreement were deposited into an escrow account with the Bank of New York Trust Company, N.A. During the fiscal year ending September 30, 2009 the remaining lease proceeds of \$129,404 were received. Future minimum lease-purchase commitments are as follows:

	Business-type Activities
2010	58,265
2011	58,265
2012	58,264
2013	58,264
2014	58,264
2015-2016	116,530
Total debt service requirements	407,852
Less: Interest Portion	64,516
Debt Principal	\$ 343,336

Assets under lease-purchase agreements and the related accumulated depreciation are reported as follows:

	Business-type Activities
Water and sewer systems	\$ 581,801
Less: Accumulated Depreciation	(65,453)
Net	\$ 516,348

**NOTE 9: RISK-POOL INSURANCE**

The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool insurance coverage and are 100% covered through third-party insurance policies. See table in statistical section for supplemental information for carriers, deductibles and coverage limits. There has been no reduction in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

**NOTE 10: DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participant to defer a portion of their salary until future years. The plan is administered by the Public Employees Benefit Services Corporation (PEBSCO). The City does not contribute to this plan nor does it have any liability for this plan.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 11: RETIREMENT PLAN**

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory hybrid, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit Rate:	7%
Matching Rate	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The service retirement eligibilities for the City are: 5 years/age 60, 20 years/any age.

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2008 valuation is effective for rates beginning January 2010).

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 11: RETIREMENT PLAN (Continued)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 607,604	\$ 464,991	\$ 438,767
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Total annual pension cost	<u>\$ 607,604</u>	<u>\$ 464,991</u>	<u>\$ 438,767</u>
Contributions Made	\$ 521,986	\$ 464,991	\$ 438,767
Increase in NPO	<u>85,618</u>	<u>-</u>	<u>-</u>
NPO at the end of the period	<u><u>\$ 85,618</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The city's total payroll in fiscal year 2009 was \$3,969,779, and the city's contributions were based on a payroll of \$3,697,057. Both the city and the covered employees made the required contributions, amounting to \$521,986 (14.35% for months in 2009 and 13.38% for months in 2008) for the City and \$258,794 (7%) for the employees. The City's contributions for September 30, 2009, 2008 and 2007 were \$521,986, \$464,991, and \$438,767, respectively. There were no related-party transactions.

**Net Pension Obligation**

For months in 2009, the City had the option to make retirement contributions at the full rate of 17.39% or the phase in rate of 14.35%. The City elected to make retirement contributions using the phase in rate. This resulted in a net pension obligation because the City's actual contributions were less than its annual required contribution (full rate). In subsequent years, this net pension obligation will be amortized using the same amortization factor used to determine the annual required contribution for a given year.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 11: RETIREMENT PLAN (Continued)**

Actuarial Assumptions

The City of Richland Hills is one of 833 municipalities having the benefit plan administered by TMRS. Each of the 833 municipalities has an annual, individual actuarial valuation performed. All assumptions for the 12/31/08 valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The Schedule of Actuarial Liabilities and Funding Progress and the Schedule of General System-wide Actuarial Assumptions for the years ended September 30, 2009, 2008 and 2007 follows:

**General System-wide Actuarial Assumptions**

Actuarial Valuation Date	12/31/08	12/31/07	12/31/06
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 Years-Closed Period	30 Years-Closed Period	25 Years-Open Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	None
Includes Inflation At	3.0%	3.0%	3.5%
Cost of Living Adjustments	2.1% (3.0% CPI)	2.1% (3.0% CPI)	None

Funded Status

As of December 31, 2008, the most recent actuarial valuation date, the plan was 68.1% funded. The actuarial accrued liability was \$15,341,093 and the actuarial value of assets was \$10,454,174, resulting in an unfunded actuarial accrued liability of \$4,886,919. The covered payroll was \$3,550,541 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 137.6%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**NOTE 12. COST-SHARING ARRANGEMENTS**

**A. *Community Development Block Grants***

The City participates with Tarrant County in construction projects that are federally funded through annual Community Development Block Grants to the County. The grant amount available to Tarrant County and allocated to the 34th Year project for curb, gutter, and driveway replacement on Maple Park was \$78,917. Project construction and engineering costs for the current fiscal year were \$68,435 and \$11,480, respectively.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 13: CONTINGENT LIABILITIES**

***A. Federal and State Programs***

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

**NOTE 14: CONTRACTS AND COMMITMENTS**

***A. Wastewater Treatment***

On June 8, 1987, the City entered into a 30 year agreement with the City of Fort Worth whereby Fort Worth agreed to provide wastewater treatment to the City. The agreement allows the City to connect its wastewater system to the Fort Worth waste water system. Charges to the City are based upon cost-of-service rate studies performed by independent utility rate consultants. This contract has been amended various times during the years.

***B. Water Treatment***

On April 10, 1989 the City entered into a 21 year agreement with the City of Fort Worth whereby Fort Worth agreed to provide water treatment and potable water to the City. Rates to purchase the water will be based upon a cost-of-service rate study performed by independent utility rate consultants. This contract has been amended various times during the years.

***C. Transportation of Sewerage***

On May 13, 1986, the City entered into an agreement with the City of Hurst to allow sewerage to be metered in Hurst then transported through the Trinity River Authority Calloway Branch sewer line to the city of Fort Worth. Charges to the City are based upon current sewer rates charged to Hurst by the Trinity River Authority and a \$75.00 per month meter service charge.

***D. Certificates of Obligation, Series 2007***

April 12, 2007, the City issued the Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2007. The certificates were issued to fund waterworks and sewer system projects. As of September 30, 2009 \$80,093, \$187,927 and \$1,075,493 have been expended for debt issuance costs, engineering fees and construction costs respectively.

March 10, 2009 a \$703,673 contract funded by the certificates of obligation was awarded for water line improvements. The amount expended towards the contract as of September 30, 2009 was \$491,866 leaving a balance of \$211,807.

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2009**

**NOTE 15: SUBSEQUENT EVENTS**

**A. *Contracts***

November 10, 2009 the City Council awarded a \$365,180 contract for the design of phase 1 drainage improvements to be funded by the drainage utility fund.

January 12, 2010 The City awarded a contract in amount of \$219,734 for the painting and rehabilitation of the South 40 ground storage water tank.

**B. *Certificates of Obligation***

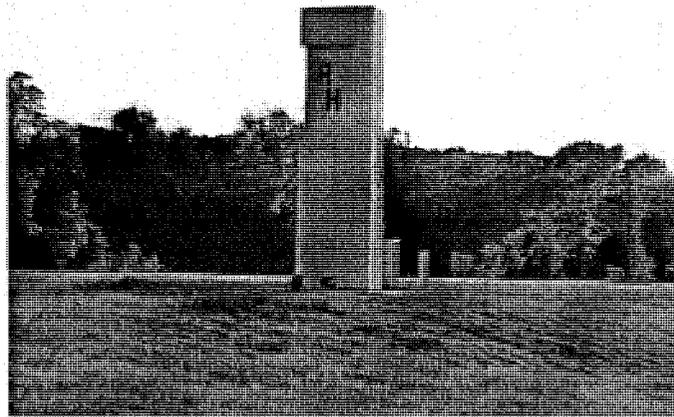
March 9, 2010 the City Council authorized the issuance of \$2,750,000 Combination Tax and Water and Sewer Revenue Certificates of Obligation, Series 2010 to fund drainage utility improvements. The debt service will be paid from the Drainage Utility Fund.

**NOTE 16: NEW PRONOUNCEMENTS**

In July 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions. This statement establishes standards for measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), not disclosures and required supplementary information in the financial reports of state and local governmental employers. The provisions of this statement are effective for the City for periods beginning after December 15, 2008. The City has not yet determined the effect this statement will have on its financial statements.

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for the City for periods beginning after June 15, 2010. The City has not yet determined the effect this statement will have on its financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Richland Hills**, *We're in the middle of things...*

## General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the fiscal year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
General property	\$ 1,819,307	\$ 1,819,307	\$ 1,851,635	\$ 32,328
Sales and use	1,373,019	1,373,019	1,523,221	150,202
Franchise	593,477	593,477	560,154	(33,323)
Fines and fees	552,210	560,898	446,148	(114,750)
Licenses and permits	137,796	137,796	69,108	(68,688)
Charges for service	268,464	271,149	237,184	(33,965)
Intergovernmental revenue	-	32,304	313,325	281,021
Park and recreation	-	12,618	10,164	(2,454)
Interest income	75,795	76,412	5,908	(70,504)
Other revenue	38,861	85,209	123,612	38,403
Total revenues	<u>4,858,929</u>	<u>4,962,189</u>	<u>5,140,459</u>	<u>178,270</u>
<b>EXPENDITURES:</b>				
Current				
General government	263,175	263,175	301,751	(38,576)
Legislative	49,170	50,830	63,333	(12,503)
Municipal court	241,516	255,316	218,224	37,092
Police	1,899,300	1,933,316	1,680,320	252,996
Fire and ambulance	1,411,981	1,411,981	1,431,749	(19,768)
Code enforcement	164,755	164,755	166,063	(1,308)
Animal control	97,077	110,012	103,605	6,407
Keep Richland Hills Beautiful	15,000	15,000	11,462	3,538
Street and highways	355,401	750,996	656,433	94,563
Library	306,331	327,190	293,622	33,568
Community center	34,322	34,322	34,607	(285)
Parks and beautification	81,900	81,900	16,005	65,895
Economic development	87,485	124,985	77,805	47,180
Capital outlay	-	51,761	51,761	-
Total expenditures	<u>5,007,413</u>	<u>5,575,539</u>	<u>5,106,740</u>	<u>468,799</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(148,484)</u>	<u>(613,350)</u>	<u>33,719</u>	<u>647,069</u>
Other financing sources (uses):				
Proceeds from sale of general capital assets	15,997	15,997	51,600	35,603
Transfers in	-	111,761	-	(111,761)
Transfers out	-	(16,198)	(401,311)	(385,113)
Total other financing sources (uses)	<u>15,997</u>	<u>111,560</u>	<u>(349,711)</u>	<u>(461,271)</u>
Net change in fund balance	(132,487)	(501,790)	(315,992)	185,798
Fund balance, October 1, 2008	<u>2,883,141</u>	<u>2,883,141</u>	<u>2,883,141</u>	<u>-</u>
Fund balance, September 30, 2009	<u>\$ 2,750,654</u>	<u>\$ 2,381,351</u>	<u>\$ 2,567,149</u>	<u>\$ 185,798</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF RICHLAND HILLS, TEXAS  
Texas Municipal Retirement System  
Schedule of Funding Progress

Exhibit E-2

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	9,103,686	11,326,729	80.4%	2,223,043	3,023,504	73.5%
12/31/2007	9,974,159	14,293,705	69.8%	4,319,546	3,265,589	132.3%
12/13/2008	10,454,174	15,341,093	68.1%	4,886,919	3,550,541	137.6%

**CITY OF RICHLAND HILLS, TEXAS**  
**Notes to Required Supplementary Information**  
**September 30, 2009**

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, Richland Hills Development Corporation special revenue fund, Crime Control and Prevention District special revenue fund, Red Light Enforce special revenue fund, debt service fund, all the capital project funds, and the following enterprise funds: water and sewer fund and drainage utility fund. All annual appropriations lapse at fiscal year end.

At least 35 days prior to the beginning of the budget year, October 1, the City Manger will submit his proposed city budget for the ensuing year to the City Council. From its date of submission, the proposed budget shall be a public record. The City Council shall hold a public hearing on the proposed budget at least 14 days before the beginning of the budget year. At least 10 days notice of such public hearing will be given by notice in the official newspaper. After a hearing, the City Council may make such changes it deems proper in the proposed budget and adopt a final budget prior to the beginning of the budget year. All budget hearings and actions on the budget shall be open to the public. If a final budget is not adopted by the beginning of the budget year, the proposed budget of the City Manger shall be deemed to have been approved. The budget shall go into effect on the first day of the budget year. The budget may be amended during the year only after complying with the notice procedure called for above for adoption of the budget. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at the time are to be either canceled or appropriately provided for in the subsequent year ' s budget. End-of-year outstanding encumbrances that were provided for in the subsequent year ' s budget were \$0.

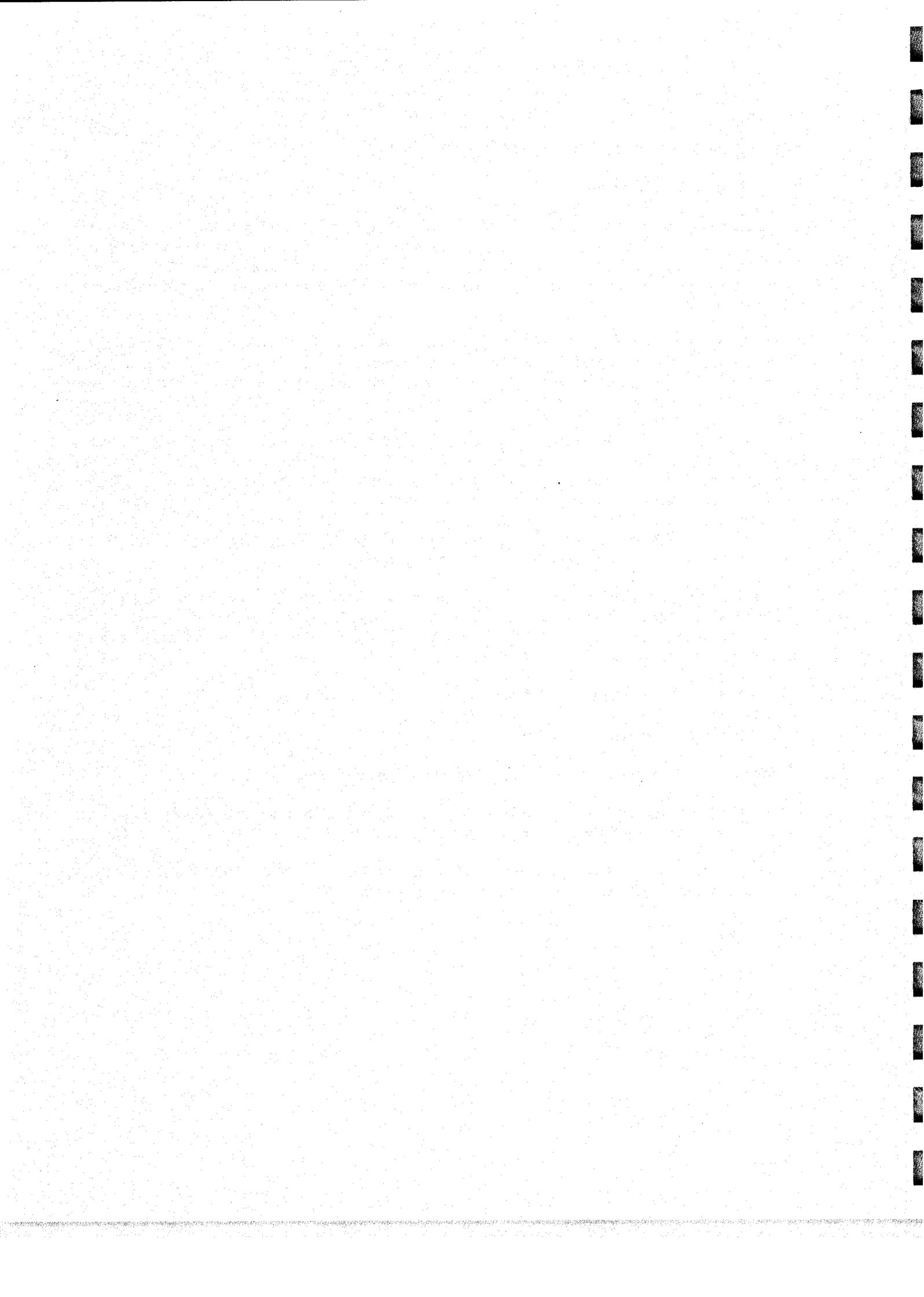
The City ' s budget was properly amended throughout the year as needed.

**B. Excess of Expenditures Over Appropriations**

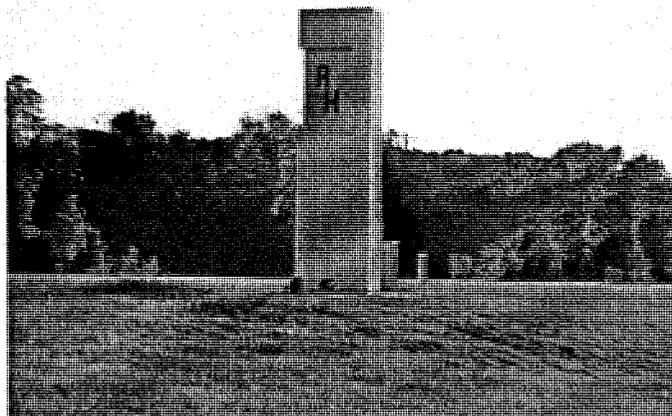
The following funds incurred total expenditures in excess of appropriations.

The water and sewer fund expenses exceeded appropriations by \$168,156 primarily due to legal fees, water purchases and sewer charges that exceeded appropriates by \$37,369, \$91,787 and \$31,703 respectively.

The oil and gas lease capital projects fund exceed appropriations by \$34,457 primarily due to street reconstruction expenses that exceeded appropriations by \$26,500.



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



**Richland Hills**, *We're in the middle of things...*

## **MAJOR GOVERNMENTAL FUNDS**

The **General Fund** is the principal operating fund of the City and is used to account for all financial resources and expenditures which are not accounted for in any other fund.

The **Oil and Gas Lease Fund** is used to account for the proceeds of the oil and gas lease bonus and future expenditures for capital projects.

## CITY OF RICHLAND HILLS, TEXAS

EXHIBIT F-1

## General Fund

Comparative Balance Sheets  
September 30, 2009 and 200820092008**ASSETS**

## Assets:

Cash and cash equivalents	\$ 557,096	\$ 1,082,752
Investments	1,063,940	899,283
Receivables (net of allowances for uncollectibles):		
Property taxes, delinquent	86,183	82,071
Sales and use taxes	126,387	148,687
Franchise taxes	28,372	28,372
Interest receivable	-	11,060
Intergovernmental	268,714	-
Due from other funds	1,066,937	1,424,910
	<u>1,066,937</u>	<u>1,424,910</u>
 Total assets	 \$ <u>3,197,629</u>	 \$ <u>3,677,135</u>

**LIABILITIES AND FUND BALANCES**

## Liabilities:

Accounts payable and accrued liabilities	\$ 239,522	\$ 274,086
Due to other funds	287,305	376,584
Deferred and unearned revenue	103,653	143,324
	<u>103,653</u>	<u>143,324</u>
 Total liabilities	 <u>630,480</u>	 <u>793,994</u>

## Fund balances:

Reserved for police station improvements	5,832	6,032
Reserved for parks and beautification	17,568	22,178
Reserved for library	17,670	22,601
Reserved for animal services	42,311	43,293
Unreserved - undesignated	2,483,768	2,789,037
	<u>2,483,768</u>	<u>2,789,037</u>
 Total fund balances	 <u>2,567,149</u>	 <u>2,883,141</u>

## Total liabilities and fund balances

	\$ <u>3,197,629</u>	\$ <u>3,677,135</u>
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## CITY OF RICHLAND HILLS, TEXAS

EXHIBIT F-2

## General Fund

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance  
For the fiscal years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>		
Taxes:		
General property	\$ 1,851,635	\$ 1,695,291
Sales and use	1,523,221	1,679,452
Franchise	560,154	551,728
Fines and fees	446,148	450,916
Licenses and permits	69,108	136,745
Charges for service	237,184	237,077
Intergovernmental Revenue	313,325	56,982
Park and recreation	10,164	11,638
Interest income	5,908	46,057
Other revenue	123,612	99,163
Total revenues	<u>5,140,459</u>	<u>4,965,049</u>
<b>EXPENDITURES:</b>		
Current		
General government	301,751	280,406
Legislative	63,333	59,471
Municipal court	218,224	242,309
Police	1,680,320	1,692,778
Fire and ambulance	1,431,749	1,444,786
Code enforcement	166,063	147,498
Animal control	103,605	104,729
Keep Richland Hills Beautiful	11,462	9,084
Street and highways	656,433	439,745
Library	293,622	308,140
Community center	34,607	36,338
Parks and beautification	16,005	11,818
Economic development	77,805	30,266
Capital outlay	51,761	28,769
Total expenditures	<u>5,106,740</u>	<u>4,836,137</u>
Excess (deficiency) of revenue over (under) expenditures	33,719	128,912
Other financing sources (uses):		
Proceeds from sale of general capital assets	51,600	32,648
Transfers in	-	-
Transfers out	(401,311)	(120,610)
Total other financing sources (uses)	<u>(349,711)</u>	<u>(87,962)</u>
Net change in fund balance	(315,992)	40,950
Fund balance, October 1, 2008	<u>2,883,141</u>	<u>2,842,191</u>
Fund balance, September 30, 2009	<u>\$ 2,567,149</u>	<u>\$ 2,883,141</u>

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
General property taxes:			
Property taxes- current	\$ 1,773,895	\$ 1,807,129	\$ 33,234
Property taxes- delinquent	23,236	19,961	(3,275)
Interest and penalties	22,176	24,545	2,369
<b>Total general property taxes</b>	<b>1,819,307</b>	<b>1,851,635</b>	<b>32,328</b>
Sales and use taxes:			
Sales and use tax	1,371,134	1,521,266	150,132
Liquor tax	1,885	1,955	70
<b>Total sales and use taxes</b>	<b>1,373,019</b>	<b>1,523,221</b>	<b>150,202</b>
Franchise taxes:			
Water and sewer	60,000	60,000	-
Electrical	277,836	256,513	(21,323)
Natural gas	107,057	93,389	(13,668)
Telephone	94,180	86,750	(7,430)
Waste disposal	16,659	16,363	(296)
Cable television	37,745	47,139	9,394
<b>Total franchise taxes</b>	<b>593,477</b>	<b>560,154</b>	<b>(33,323)</b>
Fines and fees:			
Municipal court fines	342,628	281,940	(60,688)
Warrant fees	69,672	54,480	(15,192)
Other fines and fees	148,598	109,728	(38,870)
<b>Total fines and fees</b>	<b>560,898</b>	<b>446,148</b>	<b>(114,750)</b>
Licenses and permits:			
Electrical licenses	37,748	27,391	(10,357)
Animal licenses	495	605	110
Fire code permits	14,640	3,980	(10,660)
Building permits	73,891	28,754	(45,137)
Plumbing permits	9,754	5,698	(4,056)
Other permits	1,268	2,680	1,412
<b>Total license and permits</b>	<b>137,796</b>	<b>69,108</b>	<b>(68,688)</b>
Charges for services:			
Lot mowing	10,257	5,293	(4,964)
Copier	4,172	2,595	(1,577)
Ambulance	236,034	210,110	(25,924)
Animal vaccinations	332	105	(227)
Community center fees	5,633	2,991	(2,642)
Community center rentals	12,036	13,229	1,193
Library	2,685	2,861	176
<b>Total charges for services</b>	<b>271,149</b>	<b>237,184</b>	<b>(33,965)</b>
Park and recreation revenue			
Intergovernmental	12,618	10,164	(2,454)
Interest income	32,304	313,325	281,021
Other revenue	76,412	5,908	(70,504)
	85,209	123,612	38,403
<b>Total revenue</b>	<b>\$ 4,962,189</b>	<b>\$ 5,140,459</b>	<b>\$ 178,270</b>

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,678,032	\$ 1,659,676	\$ (18,356)
23,751	16,191	(7,560)
22,014	19,424	(2,590)
<u>1,723,797</u>	<u>1,695,291</u>	<u>(28,506)</u>
1,223,196	1,677,312	454,116
1,819	2,140	321
<u>1,225,015</u>	<u>1,679,452</u>	<u>454,437</u>
60,000	60,000	-
298,411	258,548	(39,863)
86,714	88,261	1,547
111,232	87,460	(23,772)
15,202	17,160	1,958
35,935	40,299	4,364
<u>607,494</u>	<u>551,728</u>	<u>(55,766)</u>
382,776	285,604	(97,172)
69,158	62,431	(6,727)
176,930	102,881	(74,049)
<u>628,864</u>	<u>450,916</u>	<u>(177,948)</u>
35,130	35,378	248
480	532	52
14,314	21,091	6,777
80,000	68,334	(11,666)
7,374	10,218	2,844
1,155	1,192	37
<u>138,453</u>	<u>136,745</u>	<u>(1,708)</u>
9,770	4,434	(5,336)
4,105	2,799	(1,306)
241,616	209,351	(32,265)
189	362	173
5,629	4,589	(1,040)
11,418	12,463	1,045
2,603	3,079	476
<u>275,330</u>	<u>237,077</u>	<u>(38,253)</u>
20,509	11,638	(8,871)
185,150	56,982	(128,168)
95,532	46,057	(49,475)
<u>74,402</u>	<u>99,163</u>	<u>24,761</u>
<u>\$ 4,974,546</u>	<u>\$ 4,965,049</u>	<u>\$ (9,497)</u>

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>EXPENDITURES:</b>			
<b>GENERAL GOVERNMENT:</b>			
General administration:			
Salaries	\$ 117,047	\$ 117,138	\$ (91)
Payroll tax	8,701	7,985	716
Retirement	15,079	19,645	(4,566)
Employee insurance	12,683	13,058	(375)
Legal services	35,000	53,515	(18,515)
Auditing	8,924	9,588	(664)
Engineering	-	2,100	(2,100)
Appraisal district fees	14,303	14,467	(164)
Office supplies	4,159	4,196	(37)
Printing	2,160	1,225	935
Equipment maintenance	11,250	25,169	(13,919)
Building maintenance	9,300	9,589	(289)
Legal advertising	1,380	1,512	(132)
Postage	6,172	6,218	(46)
Memberships	1,295	1,855	(560)
Travel expense	2,086	769	1,317
Subscriptions and publications	328	68	260
Other programs	789	1,626	(837)
Newsletter	658	-	658
Power and light	4,630	4,888	(258)
Natural gas	515	252	263
Telephone	3,608	3,675	(67)
Insurance	2,918	3,034	(116)
Employee bond	190	179	11
<b>Total general administration</b>	<b>263,175</b>	<b>301,751</b>	<b>(38,576)</b>
Legislative:			
Salaries	21,400	28,691	(7,291)
Payroll tax	1,599	2,022	(423)
Retirement	2,743	3,921	(1,178)
Employee insurance	1,546	2,062	(516)
Council compensation	216	375	(159)
Supplies	900	988	(88)
Printing	360	2,931	(2,571)
Minor office equipment	-	-	-
Office equipment maintenance	300	968	(668)
Election expense	1,560	2,562	(1,002)
Legal advertising	900	262	638
Postage	712	712	-
Memberships	3,130	3,386	(256)
Subscriptions and publications	1,502	211	1,291
Employee volunteer programs	3,760	6,791	(3,031)
Other programs	195	15	180
Travel and training	3,000	2,347	653
Contingency fund	2,250	540	1,710
Insurance	4,757	4,549	208
<b>Total legislative</b>	<b>50,830</b>	<b>63,333</b>	<b>(12,503)</b>

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 109,675	\$ 107,133	\$ 2,542
8,566	7,450	1,116
14,386	16,146	(1,760)
11,956	10,675	1,281
30,000	60,913	(30,913)
8,499	8,949	(450)
-	-	-
13,515	13,885	(370)
3,679	5,634	(1,955)
2,160	876	1,284
11,114	16,612	(5,498)
9,030	7,999	1,031
1,380	1,644	(264)
6,051	6,179	(128)
1,295	1,462	(167)
2,086	648	1,438
328	283	45
789	829	(40)
658	1,194	(536)
3,895	4,944	(1,049)
563	457	106
4,137	3,453	684
2,760	2,862	(102)
202	179	23
<u>246,724</u>	<u>280,406</u>	<u>(33,682)</u>
20,612	26,468	(5,856)
1,589	1,889	(300)
2,685	3,439	(754)
1,431	1,749	(318)
216	370	(154)
900	570	330
360	4,393	(4,033)
-	3,268	(3,268)
240	2,157	(1,917)
1,560	-	1,560
900	844	56
712	636	76
2,800	3,566	(766)
1,352	133	1,219
2,030	1,886	144
195	-	195
3,000	2,586	414
2,250	952	1,298
4,732	4,565	167
<u>47,564</u>	<u>59,471</u>	<u>(11,907)</u>

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>JUDICIAL:</b>			
<b>Municipal court:</b>			
Salaries	\$ 165,068	\$ 142,396	\$ 22,672
Overtime	-	-	-
Payroll tax	13,487	10,733	2,754
Retirement	18,789	16,506	2,283
Employee insurance	15,463	11,597	3,866
Municipal court judges fee	-	-	-
Contract labor	1,500	1,882	(382)
Office supplies	2,950	499	2,451
Printing	1,500	1,126	374
Gasoline and oil	2,520	2,804	(284)
Vehicle maintenance	825	887	(62)
Uniforms	600	183	417
Comm. equip. maintenance	2,805	2,168	637
Office equip. maintenance	2,500	652	1,848
Travel and training	900	513	387
Jury expense	50	-	50
Dues and subscriptions	115	75	40
Insurance	2,089	2,259	(170)
Municipal court building security	10,355	10,355	-
Municipal court technology fund operating supplies	-	-	-
Municipal court technology fund office equipment maintenance	-	12,103	(12,103)
Municipal court technology fund minor office equipment	11,400	-	11,400
Municipal court technology fund equipment	2,400	1,486	914
<b>Total municipal court</b>	<b>255,316</b>	<b>218,224</b>	<b>37,092</b>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Salaries	1,174,519	1,070,631	103,888
Payroll tax	96,266	81,714	14,552
Retirement	158,551	143,462	15,089
Employee insurance	135,474	116,700	18,774
Physicals	825	877	(52)
Immunization/Vaccination	3,210	-	3,210
Polygraph	600	700	(100)
Psychologicals	900	900	-
Contract labor	2,992	-	2,992
Office supplies	8,200	6,878	1,322
Minor office equipment	5,600	845	4,755
Operating supplies	2,675	1,252	1,423
Printing	2,500	951	1,549
Gasoline	35,230	30,934	4,296
Equipment maintenance	27,765	31,191	(3,426)
Building maintenance/supplies	4,790	4,662	128
Jail expense	8,450	7,000	1,450
Uniforms & protective gear	23,137	12,811	10,326
Vehicle maintenance	20,045	13,401	6,644
Communication equipment	18,463	15,401	3,062
Hand tools & small equipment	3,903	863	3,040
Operating equipment maint	1,390	991	399
Ammunition and supplies	2,765	892	1,873
Legal advertising	1,200	892	308
Memberships	2,080	1,401	679
Subscriptions and publications	5,218	5,723	(505)

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 159,251	\$ 158,495	\$ 756
-	325	(325)
13,825	12,402	1,423
18,333	18,729	(396)
14,307	14,307	-
-	-	-
1,500	1,826	(326)
2,950	1,252	1,698
1,500	1,266	234
2,300	4,593	(2,293)
575	143	432
600	644	(44)
2,805	2,306	499
2,500	1,638	862
900	360	540
50	-	50
115	480	(365)
2,035	2,078	(43)
10,355	10,355	-
-	1,932	(1,932)
9,635	8,399	1,236
-	-	-
850	779	71
<u>244,386</u>	<u>242,309</u>	<u>2,077</u>

1,185,564	1,020,053	165,511
97,586	79,916	17,670
154,233	129,312	24,921
125,761	105,211	20,550
1,100	1,110	(10)
500	-	500
600	400	200
1,200	600	600
2,992	-	2,992
8,200	7,127	1,073
6,260	5,309	951
3,475	2,661	814
2,500	1,250	1,250
28,480	50,478	(21,998)
27,135	27,878	(743)
6,690	4,384	2,306
9,150	7,587	1,563
22,207	18,634	3,573
21,293	15,288	6,005
21,063	17,695	3,368
4,011	3,705	306
1,450	787	663
3,870	3,633	237
750	2,069	(1,319)
2,320	1,460	860
3,657	2,874	783

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Police Department:</b>			
Other programs	\$ 2,500	\$ 1,270	\$ 1,230
Veterinary care	1,000	-	1,000
PD K-9 program	-	2,945	(2,945)
Travel and training	15,500	12,084	3,416
Breathalyser test	4,600	4,887	(287)
Crime prevention	2,000	609	1,391
Criminal investigation	9,875	3,649	6,226
Power and light	24,000	25,572	(1,572)
Natural gas	1,250	787	463
Telephone	22,208	22,613	(405)
Miscellaneous expense	175	209	(34)
Insurance	60,660	48,728	11,932
Building improvements	-	-	-
Equipment	42,800	5,895	36,905
Vehicles and heavy equipment	-	-	-
Furnishings	-	-	-
<b>Total police department</b>	<b>1,933,316</b>	<b>1,680,320</b>	<b>252,996</b>
<b>Fire and ambulance department:</b>			
Salaries	935,100	956,145	(21,045)
Payroll tax	70,540	70,757	(217)
Retirement	120,432	125,246	(4,814)
Employee insurance	87,624	83,758	3,866
Physicals/psychologicals	5,400	3,916	1,484
Immunizations/vaccinations	-	-	-
Office supplies	2,200	1,985	215
Operating supplies	1,442	701	741
Printing	1,000	663	337
Legal advertising	200	194	6
Gasoline and oil	18,220	13,912	4,308
Uniforms & protective gear	9,729	14,331	(4,602)
Vehicle maintenance	7,300	8,421	(1,121)
Communication equipment	8,760	12,016	(3,256)
Hand tools & small equip	4,680	6,794	(2,114)
Operating equipment maint	5,940	12,406	(6,466)
Equipment supplies & maint	3,300	4,325	(1,025)
Fire prevention supplies	2,250	384	1,866
Ambulance supplies	22,000	21,353	647
Building supplies & maint	4,500	8,160	(3,660)
Memberships	15,125	15,796	(671)
Subscriptions and publications	1,190	1,526	(336)
Tuition Reimbursement	-	-	-
Travel and training	12,140	11,979	161
Power and light	8,000	9,527	(1,527)
Natural gas	2,500	1,897	603
Telephone	8,588	7,454	1,134
Insurance	35,039	37,893	(2,854)
Emergency management	2,600	210	2,390
Equipment	16,182	-	16,182
<b>Total fire and ambulance dept</b>	<b>1,411,981</b>	<b>1,431,749</b>	<b>(19,768)</b>
<b>Code enforcement department:</b>			
Salaries	100,945	102,171	(1,226)
Payroll tax	7,922	7,709	213
Retirement	13,506	13,980	(474)

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,000	\$ 433	\$ 2,567
1,200	-	1,200
-	3,679	(3,679)
15,410	9,190	6,220
100	-	100
2,500	276	2,224
13,130	9,844	3,286
17,325	27,701	(10,376)
1,250	1,066	184
21,648	20,134	1,514
200	101	99
57,768	58,448	(680)
-	18,670	(18,670)
28,210	14,651	13,559
14,481	17,786	(3,305)
-	1,378	(1,378)
<u>1,918,269</u>	<u>1,692,778</u>	<u>225,491</u>
866,920	910,734	(43,814)
70,645	66,999	3,646
114,269	113,988	281
80,883	80,674	209
4,500	4,038	462
600	30	570
2,000	2,346	(346)
1,442	1,971	(529)
1,048	642	406
200	-	200
15,520	24,798	(9,278)
9,145	12,489	(3,344)
7,300	13,388	(6,088)
16,560	15,891	669
7,180	8,008	(828)
7,240	8,044	(804)
4,000	10,889	(6,889)
2,500	1,476	1,024
22,000	24,575	(2,575)
4,500	8,217	(3,717)
13,125	13,853	(728)
1,190	1,531	(341)
-	14,400	(14,400)
11,140	11,117	23
7,000	9,739	(2,739)
1,500	2,022	(522)
8,500	7,492	1,008
33,993	34,848	(855)
2,600	5,383	(2,783)
35,300	35,204	96
<u>1,352,800</u>	<u>1,444,786</u>	<u>(91,986)</u>
97,062	99,554	(2,492)
7,965	7,778	187
13,220	13,374	(154)

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Code enforcement dept cont.:			
Employee insurance	\$ 10,309	\$ 8,591	\$ 1,718
Engineer and consulting fees	-	-	-
Filing fees	1,000	507	493
Physicals/psychologicals	-	-	-
Office supplies	1,000	5,281	(4,281)
Printing	700	800	(100)
Gasoline and oil	3,100	1,562	1,538
Vehicle maintenance	800	27	773
Equipment & maintenance	15,812	4,741	11,071
Legal advertising	1,300	730	570
Uniforms	100	-	100
Memberships, subscriptions and publications	850	266	584
Plumbing inspections	750	14,014	(13,264)
Travel and training	600	1,433	(833)
Lot mowing	2,500	380	2,120
Telephone	1,649	1,945	(296)
Insurance	1,912	1,926	(14)
Total code enforcement dept	<u>164,755</u>	<u>166,063</u>	<u>(1,308)</u>
Animal control department:			
Salaries	54,774	55,799	(1,025)
Payroll tax	4,388	4,359	29
Retirement	7,329	7,812	(483)
Employee insurance	5,154	5,154	-
Physicals	350	-	350
Office supplies	7,260	1,288	5,972
Printing	500	-	500
Gasoline and oil	2,205	1,039	1,166
Vehicle maintenance	1,582	178	1,404
Equipment & maintenance	1,723	2,066	(343)
Building supplies & maint	1,000	786	214
Legal advertising	100	-	100
Uniforms	500	124	376
Memberships	215	210	5
Other programs	1,000	645	355
Travel and training	1,900	425	1,475
Power and light	7,061	6,878	183
Natural gas	995	655	340
Telephone	3,600	4,697	(1,097)
Insurance	1,576	1,660	(84)
Capital outlay	6,800	9,830	(3,030)
Total animal control department	<u>110,012</u>	<u>103,605</u>	<u>6,407</u>
Keep Richland Hills Beautiful:			
Office supplies	500	199	301
Minor office equipment	500	-	500
Litter and dumping cleanup	-	-	-
Adopt-a-spot	2,000	1,466	534
Memberships, subscriptions and publications	500	100	400
Travel and training	1,000	55	945
Promotions/retentions	10,500	9,642	858
Total Keep Richland Hills Beautiful	<u>15,000</u>	<u>11,462</u>	<u>3,538</u>

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 9,538	\$ 9,538	\$ -
10,000	2,750	7,250
400	1,400	(1,000)
50	-	50
1,050	441	609
700	1,516	(816)
2,000	3,152	(1,152)
800	20	780
1,300	1,860	(560)
1,300	1,168	132
100	-	100
1,000	545	455
1,000	70	930
600	347	253
2,500	668	1,832
2,000	1,533	467
1,846	1,784	62
<u>154,431</u>	<u>147,498</u>	<u>6,933</u>
54,946	55,969	(1,023)
4,690	4,480	210
7,388	7,434	(46)
4,769	4,769	-
420	70	350
4,215	5,221	(1,006)
500	351	149
2,176	1,670	506
1,647	670	977
2,652	1,452	1,200
3,000	3,560	(560)
100	-	100
390	370	20
180	205	(25)
1,000	852	148
1,400	1,166	234
5,698	7,002	(1,304)
900	766	134
3,220	3,116	104
1,481	1,562	(81)
<u>12,975</u>	<u>4,044</u>	<u>8,931</u>
<u>113,747</u>	<u>104,729</u>	<u>9,018</u>
500	94	406
500	-	500
19,020	-	19,020
2,000	452	1,548
500	325	175
4,000	2,600	1,400
<u>7,500</u>	<u>5,613</u>	<u>1,887</u>
<u>34,020</u>	<u>9,084</u>	<u>24,936</u>

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

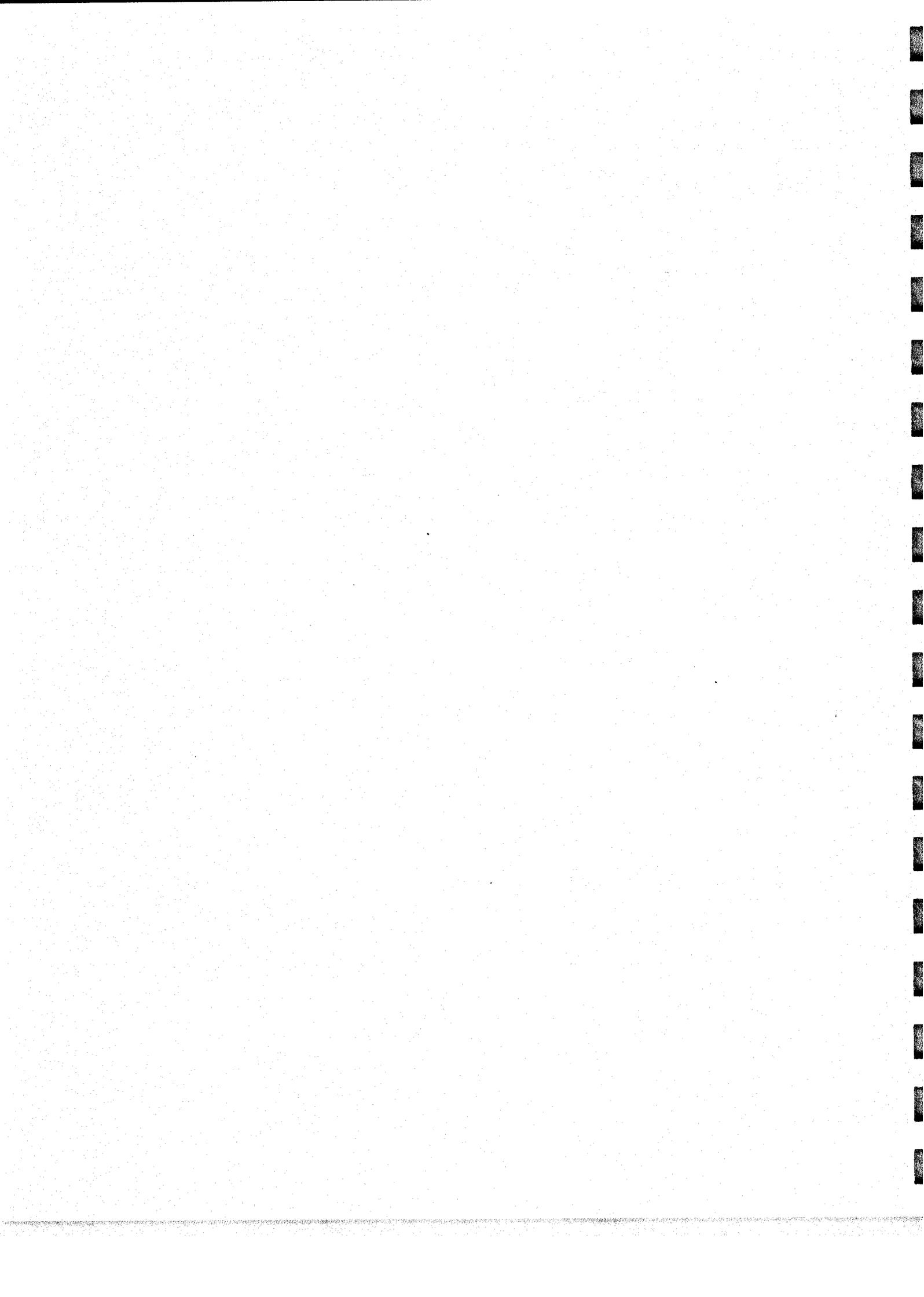
	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Highways &amp; streets:</b>			
Street department			
Salaries	\$ 91,425	\$ 95,827	\$ (4,402)
Payroll tax	7,012	7,510	(498)
Retirement	11,744	12,559	(815)
Employee insurance	15,463	15,463	-
Engineering/consulting	-	-	-
Physicals/psychologicals	300	-	300
Office supplies	450	31	419
Operating supplies	2,400	699	1,701
Building supplies & maint	450	125	325
Gasoline and oil	7,300	6,052	100
Vehicle maintenance	3,500	1,543	86
Equipment, supplies & tools	6,343	2,232	4,111
Operating equipment	4,500	3,777	723
Street repair material	28,000	10,755	17,245
Chemicals and paint	1,200	1,003	197
Street sweeping	3,000	179	2,821
Street signs	6,000	819	5,181
Signal lights	2,000	1,624	376
Parks maintenance	8,000	7,090	910
Mosquito spraying	-	-	-
Uniforms	2,000	1,360	640
Memberships, subscriptions and publications	500	76	424
Travel and training	2,000	311	1,689
Power and light	74,500	108,492	(33,992)
Natural gas	650	576	74
Telephone	1,400	1,654	(254)
Insurance	13,264	16,194	(2,930)
Water system improvements	71,462	71,462	-
Curb construction and maintenance	321,133	236,264	84,869
Landscape maintenance	65,000	52,756	12,244
Total street department	750,996	656,433	94,563
<b>Culture - Recreation:</b>			
Library:			
Salaries	159,793	149,436	10,357
Payroll tax	12,818	11,279	1,539
Retirement	21,380	21,071	309
Employee insurance	10,309	10,309	-
Contract labor	3,210	1,974	1,236
Supplies	5,130	3,837	1,293
Printing	1,000	649	351
Board functions	500	76	424
Minor office equipment	482	482	-
Building maintenance	3,234	4,842	(1,608)
Equipment maintenance	17,868	18,838	(970)
Binding	100	-	100
Memberships, subscriptions and publications	883	880	3
Travel and training	3,100	767	2,333
Power and light	12,967	14,417	(1,450)
Natural gas	810	677	133
Telephone	5,561	4,316	1,245
Insurance	6,404	6,747	(343)
Books, periodicals & audio	46,519	33,562	12,957
Capital outlay	15,122	9,463	5,659
Total library	62 327,190	293,622	33,568

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 91,077	\$ 82,264	\$ 8,813
6,720	6,582	138
10,350	10,218	132
14,818	12,717	2,101
-	-	-
300	46	254
450	492	(42)
2,400	1,308	1,092
450	342	108
6,050	11,619	100
4,250	1,744	86
5,246	2,630	2,616
4,500	3,517	983
28,000	26,608	1,392
1,200	879	321
5,500	5,258	242
6,000	3,069	2,931
2,000	4,094	(2,094)
3,000	12,605	(9,605)
3,000	-	3,000
2,000	1,535	465
500	-	500
2,000	111	1,889
66,150	108,593	(42,443)
650	667	(17)
1,385	1,675	(290)
13,174	14,773	(1,599)
-	-	-
106,657	52,695	53,962
58,000	73,704	(15,704)
<u>445,827</u>	<u>439,745</u>	<u>6,082</u>
159,794	152,268	7,526
13,844	11,556	2,288
21,764	20,399	1,365
9,538	9,538	-
3,210	3,135	75
6,630	8,758	(2,128)
1,000	832	168
800	576	224
3,234	3,047	187
150	2,520	(2,370)
17,019	16,450	569
100	-	100
867	831	36
3,100	2,961	139
12,967	14,592	(1,625)
810	805	5
5,561	4,791	770
6,048	6,362	(314)
47,799	46,509	1,290
-	2,210	(2,210)
<u>314,235</u>	<u>308,140</u>	<u>6,095</u>

CITY OF RICHLAND HILLS, TEXAS  
 General Fund Comparative Schedule of Revenues  
 Expenditures and Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Community center:</b>			
Salaries	\$ 14,910	\$ 15,010	\$ (100)
Payroll tax	1,240	1,185	55
Retirement	1,995	2,123	(128)
Contract labor	4,900	3,923	977
Supplies	150	-	150
Printing	300	-	300
Building & equip maintenance	2,100	2,579	(479)
Memberships	90	-	90
Power and light	4,707	6,287	(1,580)
Natural gas	900	640	260
Telephone	1,300	1,037	263
Insurance	1,730	1,823	(93)
<b>Total community center</b>	<b>34,322</b>	<b>34,607</b>	<b>(285)</b>
<b>Parks and beautification:</b>			
Windmill park improvements	500	-	500
City complex beautification	750	-	750
Miscellaneous expense	-	97	(97)
Highway, street & media	5,000	8,251	(3,251)
Holiday expense	6,000	6,457	(457)
Rosebud Park improvements	2,000	-	2,000
Creek Trail Park improvements	3,500	-	3,500
Kate Baker Park improvements	62,000	1,200	60,800
Contingency	2,150	-	2,150
<b>Total park and beautification</b>	<b>81,900</b>	<b>16,005</b>	<b>65,895</b>
<b>Economic Development &amp; Assistance:</b>			
<b>Economic development:</b>			
Salaries	10,549	9,570	979
Payroll tax	4,349	3,271	1,078
Retirement	7,433	6,048	1,385
Employee insurance	5,154	3,435	1,719
Office Supplies	-	2,830	(2,830)
Building & equip maintenance	-	1,820	(1,820)
Other expenses	-	1,973	(1,973)
Promotions/retentions/special events	10,000	11,358	(1,358)
Baker Blvd TIF	37,500	37,500	-
COG Planning match	50,000	-	50,000
<b>Total economic development</b>	<b>124,985</b>	<b>77,805</b>	<b>47,180</b>
<b>Capital Outlay:</b>			
Vehicles and Heavy Equipment	-	-	-
Facilities improvement	51,761	51,761	-
<b>Total capital outlay</b>	<b>51,761</b>	<b>51,761</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>5,575,539</b>	<b>5,106,740</b>	<b>468,799</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(613,350)</b>	<b>33,719</b>	<b>647,069</b>
<b>Other financing sources (uses):</b>			
Proceeds from sale of general capital assets	15,997	51,600	35,603
Transfers in	111,761	-	(111,761)
Transfers out	(16,198)	(401,311)	(385,113)
<b>Total other financing sources (uses)</b>	<b>111,560</b>	<b>(349,711)</b>	<b>(461,271)</b>
<b>Net change in fund balance</b>	<b>\$ (501,790)</b>	<b>\$ (315,992)</b>	<b>\$ 185,798</b>
<b>Fund balance, October 1, 2008</b>	<b>2,883,141</b>	<b>2,883,141</b>	<b>-</b>
<b>Fund balance, September 30, 2009</b>	<b>64 \$ 2,381,351</b>	<b>\$ 2,567,149</b>	<b>\$ 185,798</b>

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 14,486	\$ 14,787	\$ (301)
1,378	1,230	148
1,973	1,986	(13)
5,800	5,146	654
150	136	14
500	-	500
1,900	3,255	(1,355)
90	80	10
4,707	6,495	(1,788)
900	830	70
1,300	674	626
1,640	1,719	(79)
<u>34,824</u>	<u>36,338</u>	<u>(1,514)</u>
500	-	500
1,500	88	1,412
-	70	(70)
5,000	-	5,000
4,000	5,795	(1,795)
2,000	2,115	(115)
3,500	-	3,500
62,500	3,750	58,750
2,900	-	2,900
<u>81,900</u>	<u>11,818</u>	<u>70,082</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
15,000	17,766	(2,766)
50,000	12,500	37,500
75,000	-	75,000
<u>140,000</u>	<u>30,266</u>	<u>109,734</u>
-	-	-
30,724	28,769	1,955
<u>30,724</u>	<u>28,769</u>	<u>1,955</u>
5,159,451	4,836,137	323,314
<u>(184,905)</u>	<u>128,912</u>	<u>313,817</u>
29,133	32,648	3,515
105,497	-	(105,497)
(16,198)	(120,610)	(104,412)
<u>118,432</u>	<u>(87,962)</u>	<u>(206,394)</u>
\$ (66,473)	\$ 40,950	\$ 107,423
<u>2,842,191</u>	<u>2,842,191</u>	<u>-</u>
\$ <u>2,775,718</u>	\$ <u>2,883,141</u>	\$ <u>107,423</u>



## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or Proprietary Funds) that are legally restricted to expenditures for specified purposes.

The **Richland Hills Development Corporation** is a blended component unit which accounts for the promotion of infrastructure improvements, parks and park facilities and economic development within the City and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the City.

The **Crime Control and Prevention District** is a blended component unit accounted for in a special revenue fund. The Crime District accounts for the proceeds of a .325 percent sales tax and crime reduction programs.

**Red Light Camera Enforce Fund** accounts for all revenues and expenditures related to red light cameras placed at intersections in the City.

The **Hotel Occupancy Tax Fund** accounts for the proceeds of a 7 percent hotel occupancy tax and expenditures related tourism.

### DEBT SERVICE FUND

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

### CAPITAL PROJECT FUNDS

The Capital Project Funds accounts for all resources used for the acquisition and/or construction of capital facilities by the City, except those financed by the Enterprise Funds.

The **Road and Street Fund** is used to account for intergovernmental revenue received from the Fort Worth Transportation Authority and improvements made to the City's infrastructure.

The **Equipment Replacement Fund** project is used to account for the purchase of equipment by the City which will be used to replace old equipment.

The **2001 Certificates of Obligations Fund** is used to account for the proceeds of the Certificates of Obligation and future expenditures for the Burns Road project.

The **2007 PPF CO Fund** accounts for the proceeds of the Public Property Finance Contractual Obligation, Series 2007.

CITY OF RICHLAND HILLS, TEXAS

Nonmajor Funds

Combining Balance Sheet

September 30, 2009

	Special Revenue					Debt Service
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds	
<b>Assets:</b>						
Cash	\$ 122,098	\$ 448,994	\$ -	\$ 25,646	\$ 596,738	\$ 132,904
Investments	399,960	-	-	-	399,960	-
Receivables (Net of allowances for uncollectibles)					-	
Property taxes, delinquent	-	-	-	-	-	9,576
Sales and use taxes	15,798	44,313	-	-	60,111	
Fines receivable			20,109	-	20,109	
Hotel tax receivable				9,121	9,121	
Due from other funds	-	-	287,305	-	287,305	-
<b>Total assets</b>	<b>\$ 537,856</b>	<b>\$ 493,307</b>	<b>\$ 307,414</b>	<b>\$ 34,767</b>	<b>\$ 1,373,344</b>	<b>\$ 142,480</b>
<b>Liabilities and fund balance:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 52	\$ 169	\$ 31,219	\$ 4,560	\$ 36,000	\$ -
Due to other funds	12,072	38,360	-	8,458	58,890	693
Deferred revenue	-	-	-	-	-	9,576
<b>Total liabilities</b>	<b>12,124</b>	<b>38,529</b>	<b>31,219</b>	<b>13,018</b>	<b>94,890</b>	<b>10,269</b>
<b>Fund Balance:</b>						
Reserved for debt service					-	132,211
Reserved for traffic safety programs			276,195		276,195	
<b>Unreserved:</b>						
Designated for capital improvements	525,732	-	-	-	525,732	-
Unreserved, undesignated		454,778	-	21,749	476,527	
<b>Total equity</b>	<b>525,732</b>	<b>454,778</b>	<b>276,195</b>	<b>21,749</b>	<b>1,278,454</b>	<b>132,211</b>
<b>Total liabilities and fund balances</b>	<b>\$ 537,856</b>	<b>\$ 493,307</b>	<b>\$ 307,414</b>	<b>\$ 34,767</b>	<b>\$ 1,373,344</b>	<b>\$ 142,480</b>

EXHIBIT G-1

Capital Projects				
Road and Street	Equipment Replacement	2001 Certificates of Obligation	Total Capital Projects Funds	Total Nonmajor Funds
\$ 135,120	\$ 4,662	\$ 74,416	\$ 214,198	\$ 943,840
-	-	-	-	399,960
-	-	-	-	-
-	-	-	-	9,576
-	-	-	-	60,111
-	-	-	-	20,109
-	-	-	-	9,121
-	-	-	-	287,305
<u>\$ 135,120</u>	<u>\$ 4,662</u>	<u>\$ 74,416</u>	<u>\$ 214,198</u>	<u>\$ 1,730,022</u>
\$ -	\$ -	\$ -	\$ -	36,000
1,296	4,618	6,372	12,286	71,869
-	-	-	-	9,576
<u>1,296</u>	<u>4,618</u>	<u>6,372</u>	<u>12,286</u>	<u>117,445</u>
-	-	-	-	132,211
-	-	-	-	276,195
133,824	44	68,044	201,912	727,644
-	-	-	-	476,527
<u>133,824</u>	<u>44</u>	<u>68,044</u>	<u>201,912</u>	<u>1,612,577</u>
<u>\$ 135,120</u>	<u>\$ 4,662</u>	<u>\$ 74,416</u>	<u>\$ 214,198</u>	<u>\$ 1,730,022</u>

CITY OF RICHLAND HILLS, TEXAS

Nonmajor Funds

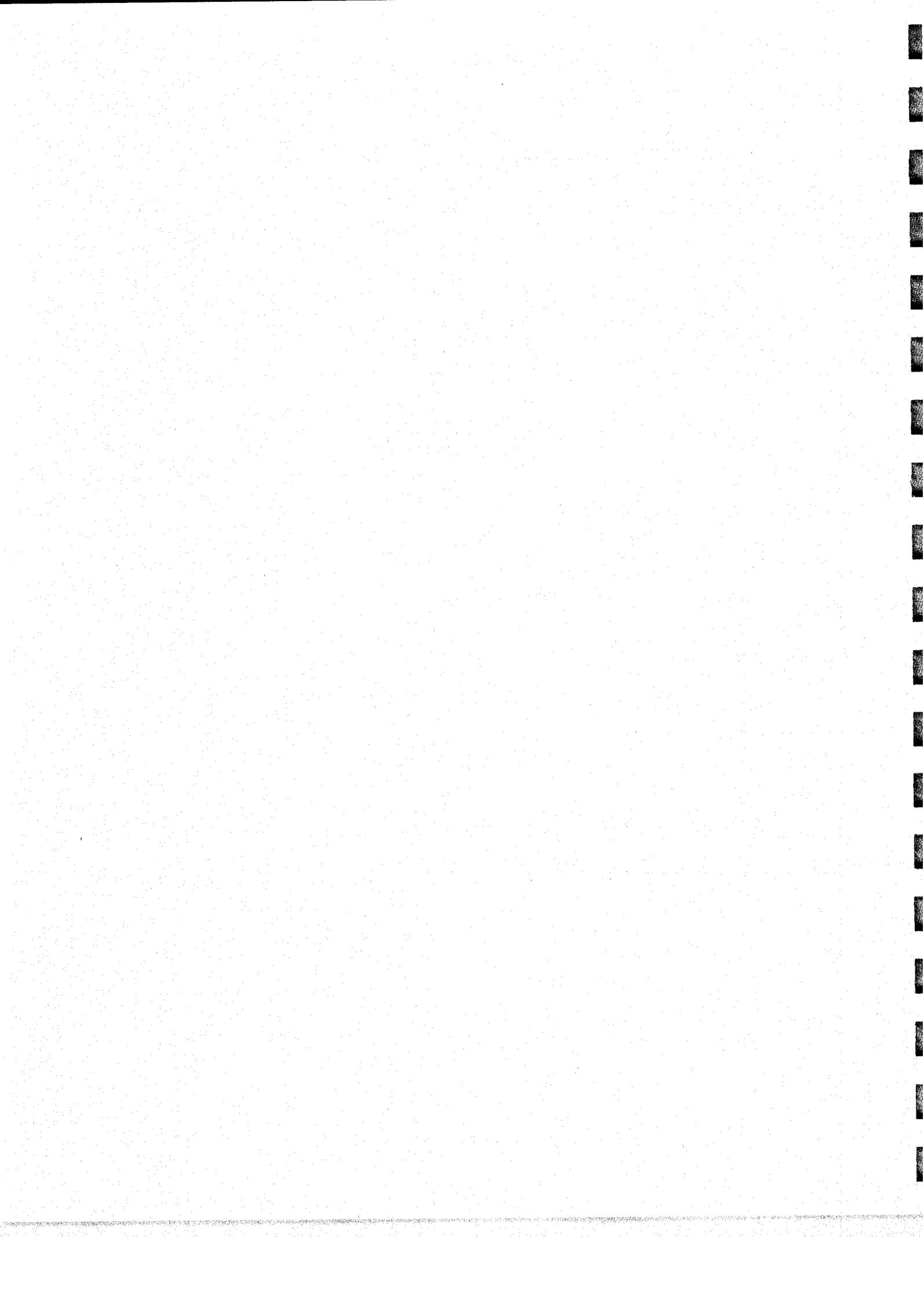
Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the fiscal year ended September 30, 2009

	Special Revenue					Debt Service
	Richland Hills Development Corporation	Crime Control District	Red Light Camera Enforce	Hotel Occupancy Tax	Total Special Revenue Funds	
<b>Revenues:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	227,533
Sales and use	190,158	541,144	-	-	731,302	-
Hotel occupancy tax	-	-	-	52,079	52,079	-
Fines and fees	-	-	168,079	-	168,079	-
Intergovernmental	-	-	-	-	-	-
Interest	1,855	752	-	9	2,616	245
<b>Total revenue</b>	<b>192,013</b>	<b>541,896</b>	<b>168,079</b>	<b>52,088</b>	<b>954,076</b>	<b>227,778</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	56,383	-	-	-	56,383	-
Police	-	466,948	-	-	466,948	-
Traffic safety	-	-	195,148	-	195,148	-
Tourism	-	-	-	30,339	30,339	-
Capital Outlay	145,800	-	-	-	145,800	-
Debt Service	-	-	-	-	-	242,000
Principal	-	-	-	-	-	79,663
Interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>202,183</b>	<b>466,948</b>	<b>195,148</b>	<b>30,339</b>	<b>894,618</b>	<b>321,663</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(10,170)</b>	<b>74,948</b>	<b>(27,069)</b>	<b>21,749</b>	<b>59,458</b>	<b>(93,885)</b>
<b>Other financing sources (uses):</b>						
Transfers in	-	-	-	-	-	125,774
Transfers out	(125,774)	-	-	-	(125,774)	-
<b>Total other financing sources (uses):</b>	<b>(125,774)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(125,774)</b>	<b>125,774</b>
<b>Net change in fund balances</b>	<b>(135,944)</b>	<b>74,948</b>	<b>(27,069)</b>	<b>21,749</b>	<b>(66,316)</b>	<b>31,889</b>
<b>Fund Balance, October 1, 2008</b>	<b>661,676</b>	<b>379,830</b>	<b>303,264</b>	<b>-</b>	<b>1,344,770</b>	<b>100,322</b>
<b>Fund Balance, September 30, 2009</b>	<b>\$ 525,732</b>	<b>\$ 454,778</b>	<b>\$ 276,195</b>	<b>\$ 21,749</b>	<b>\$ 1,278,454</b>	<b>\$ 132,211</b>

EXHIBIT G-2

Capital Projects				
Road and Street	Equipment Replacement	2001 Certificates of Obligation	Total Capital Projects Funds	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ 227,533
				731,302
				52,079
				168,079
113,320	-		113,320	113,320
149	7	119	275	3,136
<u>113,469</u>	<u>7</u>	<u>119</u>	<u>113,595</u>	<u>1,295,449</u>
				56,383
				466,948
				195,148
				30,339
168	135,113	158	135,439	281,239
-	-	-	-	242,000
-	-	-	-	79,663
<u>168</u>	<u>135,113</u>	<u>158</u>	<u>135,439</u>	<u>1,351,720</u>
<u>113,301</u>	<u>(135,106)</u>	<u>(39)</u>	<u>(21,844)</u>	<u>(56,271)</u>
-	135,113	-	135,113	260,887
-	-	-	-	(125,774)
-	135,113	-	135,113	135,113
113,301	7	(39)	113,269	78,842
20,523	37	68,083	88,643	1,533,735
<u>\$ 133,824</u>	<u>\$ 44</u>	<u>\$ 68,044</u>	<u>\$ 201,912</u>	<u>\$ 1,612,577</u>



**SPECIAL REVENUE FUNDS**

CITY OF RICHLAND HILLS, TEXAS  
 Richland Hills Development Corporation  
 Special Revenue Fund  
 Comparative Balance Sheets  
 September 30, 2009 and 2008

EXHIBIT H-1

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 122,098	\$ 51,714
Investments	399,960	598,674
Sales and use taxes receivable	15,798	18,586
Accrued interest	<u>-</u>	<u>230</u>
Total assets and other debits	<u>\$ 537,856</u>	<u>\$ 669,204</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 52	\$ -
Due to other funds	<u>12,072</u>	<u>7,528</u>
Total Liabilities	<u>12,124</u>	<u>7,528</u>
Fund Balances:		
Unreserved:		
Designated for capital improvements	<u>525,732</u>	<u>661,676</u>
Total liabilities and fund balances	<u>\$ 537,856</u>	<u>\$ 669,204</u>

**CITY OF RICHLAND HILLS, TEXAS**  
**Richland Hills Development Corporation - Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the fiscal years ended September 30, 2009 and 2008**

**EXHIBIT H-2**

	2009	2008
<b>REVENUES:</b>		
Sales and use tax	190,158	209,664
Interest income	1,855	12,896
Total revenues	192,013	222,560
<b>EXPENDITURES:</b>		
Current		
General government	56,383	58,011
Street and highways	-	53,585
Capital Outlay	145,800	-
Total expenditures	202,183	111,596
Excess (deficiency) of revenue over (under) expenditures	(10,170)	110,964
Other financing sources (uses):		
Transfers out	(125,774)	(124,170)
Total other financing sources (uses)	(125,774)	(124,170)
Net change in fund balance	(135,944)	(13,206)
Fund balance, October 1, 2008	661,676	674,882
Fund balance, September 30, 2009	\$ 525,732	\$ 661,676

CITY OF RICHLAND HILLS, TEXAS  
 Richland Hills Development Corporation - Special Revenue Fund  
 Comparative Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Sales tax revenue	\$ 176,312	\$ 190,158	\$ 13,846
Interest income	5,525	1,855	(3,670)
<b>Total revenues</b>	<u>181,837</u>	<u>192,013</u>	<u>10,176</u>
<b>Expenditures:</b>			
<b>Current</b>			
General government	55,000	56,383	(1,383)
Street and highways	450,000	-	450,000
<b>Capital Outlay</b>	<u>58,000</u>	<u>145,800</u>	<u>(87,800)</u>
<b>Total expenditures</b>	<u>563,000</u>	<u>202,183</u>	<u>360,817</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(381,163)</u>	<u>(10,170)</u>	<u>370,993</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(122,863)</u>	<u>(125,774)</u>	<u>(2,911)</u>
<b>Net change in fund balance</b>	<u>(504,026)</u>	<u>(135,944)</u>	<u>368,081</u>
<b>Fund balance, October 1, 2008</b>	<u>661,676</u>	<u>661,676</u>	<u>-</u>
<b>Fund balance, September 30, 2009</b>	<u>\$ 157,650</u>	<u>\$ 525,732</u>	<u>\$ 368,081</u>

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 134,621	\$ 209,664	\$ 75,043
<u>8,146</u>	<u>12,896</u>	<u>4,750</u>
<u>142,767</u>	<u>222,560</u>	<u>79,793</u>
65,000	58,011	6,989
450,000	53,585	396,415
<u>40,000</u>	<u>-</u>	<u>40,000</u>
<u>555,000</u>	<u>111,596</u>	<u>443,404</u>
<u>(412,233)</u>	<u>110,964</u>	<u>523,197</u>
<u>(122,863)</u>	<u>(124,170)</u>	<u>(1,307)</u>
(535,096)	(13,206)	521,890
<u>674,882</u>	<u>674,882</u>	<u>-</u>
<u>\$ 139,786</u>	<u>\$ 661,676</u>	<u>\$ 521,890</u>

CITY OF RICHLAND HILLS, TEXAS  
 Crime Control District  
 Special Revenue Fund  
 Comparative Balance Sheets  
 September 30, 2009 and 2008

EXHIBIT H-4

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 448,994	\$ 395,363
Sales and use taxes receivable	<u>44,313</u>	<u>49,364</u>
Total assets and other debits	<u>\$ 493,307</u>	<u>\$ 444,727</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 169	\$ 746
Due to other funds	<u>38,360</u>	<u>64,151</u>
Total Liabilities	<u>38,529</u>	<u>64,897</u>
Fund Balances:		
Unreserved, undesignated	<u>454,778</u>	<u>379,830</u>
Total liabilities and fund balances	<u>\$ 493,307</u>	<u>\$ 444,727</u>

CITY OF RICHLAND HILLS, TEXAS  
 Crime Control District  
 Special Revenue Fund

EXHIBIT H-5

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance  
 For the fiscal years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>		
Sales and use tax	541,144	583,931
Interest income	752	635
Total revenues	<u>541,896</u>	<u>584,566</u>
<b>EXPENDITURES:</b>		
Current		
Police	<u>466,948</u>	<u>344,907</u>
Total expenditures	<u>466,948</u>	<u>344,907</u>
Net change in fund balance	74,948	239,659
Fund balance, October 1, 2008	<u>379,830</u>	<u>140,171</u>
Fund balance, September 30, 2009	<u>\$ 454,778</u>	<u>\$ 379,830</u>

CITY OF RICHLAND HILLS, TEXAS  
 Crime Control District - Special Revenue Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Sales tax revenue	\$ 454,706	\$ 541,144	\$ 86,438
Interest	-	752	752
<b>Total revenues</b>	<u>454,706</u>	<u>541,896</u>	<u>87,190</u>
<b>Expenditures:</b>			
Current			
Police	498,189	466,948	31,241
<b>Total expenditures</b>	<u>498,189</u>	<u>466,948</u>	<u>31,241</u>
Net change in fund balance	(43,483)	74,948	118,431
Fund balance, October 1, 2008	<u>379,830</u>	<u>379,830</u>	-
Fund balance, September 30, 2009	<u>\$ 336,347</u>	<u>\$ 454,778</u>	<u>\$ 118,431</u>

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 365,832	\$ 583,931	\$ 218,099
5,671	635	(5,036)
<u>371,503</u>	<u>584,566</u>	<u>213,063</u>
<u>347,577</u>	<u>344,907</u>	<u>2,670</u>
<u>347,577</u>	<u>344,907</u>	<u>2,670</u>
23,926	239,659	215,733
<u>140,171</u>	<u>140,171</u>	<u>-</u>
<u>\$ 164,097</u>	<u>\$ 379,830</u>	<u>\$ 215,733</u>

CITY OF RICHLAND HILLS, TEXAS  
 Red Light Camera Enforce  
 Special Revenue Fund  
 Comparative Balance Sheets  
 September 30, 2009 and 2008

EXHIBIT H-7

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Assets:		
Fines receivable	\$ 20,109	\$ 13,987
Due from other funds	<u>287,305</u>	<u>376,584</u>
Total assets and other debits	<u>\$ 307,414</u>	<u>\$ 390,571</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>31,219</u>	\$ <u>87,308</u>
Total Liabilities	<u>31,219</u>	<u>87,308</u>
Fund Balances:		
Unreserved, undesignated	<u>276,195</u>	<u>303,263</u>
Total liabilities and fund balances	<u>\$ 307,414</u>	<u>\$ 390,571</u>

CITY OF RICHLAND HILLS, TEXAS  
 Red Light Camera Enforce  
 Special Revenue Fund

EXHIBIT H-8

Comparative Statements of Revenues, Expenditures and Changes in Fund Balance  
 For the fiscal years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>		
Fines and fees	<u>168,079</u>	<u>271,757</u>
Total revenues	<u>168,079</u>	<u>271,757</u>
<b>EXPENDITURES:</b>		
Current		
Traffic Safety	<u>195,148</u>	<u>269,597</u>
Total expenditures	<u>195,148</u>	<u>269,597</u>
Net change in fund balance	(27,069)	2,160
Fund balance, October 1, 2008	<u>303,264</u>	<u>301,104</u>
Fund balance, September 30, 2009	<u>\$ 276,195</u>	<u>\$ 303,264</u>

CITY OF RICHLAND HILLS, TEXAS  
 Red Light Camera Enforce - Special Revenue Fund  
 Comparative Schedules of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Fines and fees	\$ 366,498	\$ 168,079	\$ (198,419)
<b>Total revenues</b>	<u>366,498</u>	<u>168,079</u>	<u>(198,419)</u>
<b>Expenditures:</b>			
<b>Current</b>			
Traffic Safety	<u>321,133</u>	<u>195,148</u>	<u>125,985</u>
<b>Total expenditures</b>	<u>321,133</u>	<u>195,148</u>	<u>125,985</u>
Net change in fund balance	45,365	(27,069)	(72,434)
Fund balance, October 1, 2008	<u>303,264</u>	<u>303,264</u>	<u>-</u>
Fund balance, September 30, 2009	<u>\$ 348,629</u>	<u>\$ 276,195</u>	<u>\$ (72,434)</u>

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ <u>303,642</u>	\$ <u>271,757</u>	\$ <u>(31,885)</u>
<u>303,642</u>	<u>271,757</u>	<u>(31,885)</u>
<u>303,642</u>	<u>269,597</u>	<u>34,045</u>
<u>303,642</u>	<u>269,597</u>	<u>34,045</u>
-	2,160	2,160
<u>301,104</u>	<u>301,104</u>	<u>-</u>
\$ <u>301,104</u>	\$ <u>303,264</u>	\$ <u>2,160</u>

CITY OF RICHLAND HILLS, TEXAS  
 Hotel Occupancy Tax  
 Special Revenue Fund  
 Comparative Balance Sheets  
 September 30, 2009 and 2008

EXHIBIT H-10

	2009	2008
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 25,646	\$ -
Hotel tax receivable	9,121	-
Total assets and other debits	\$ 34,767	\$ -
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,560	\$ -
Due to other funds	8,458	-
Total Liabilities	13,018	-
Fund Balances:		
Unreserved, undesignated	21,749	-
Total liabilities and fund balances	\$ 34,767	\$ -

CITY OF RICHLAND HILLS, TEXAS

EXHIBIT H-11

Hotel Occupancy Tax  
Special Revenue Fund

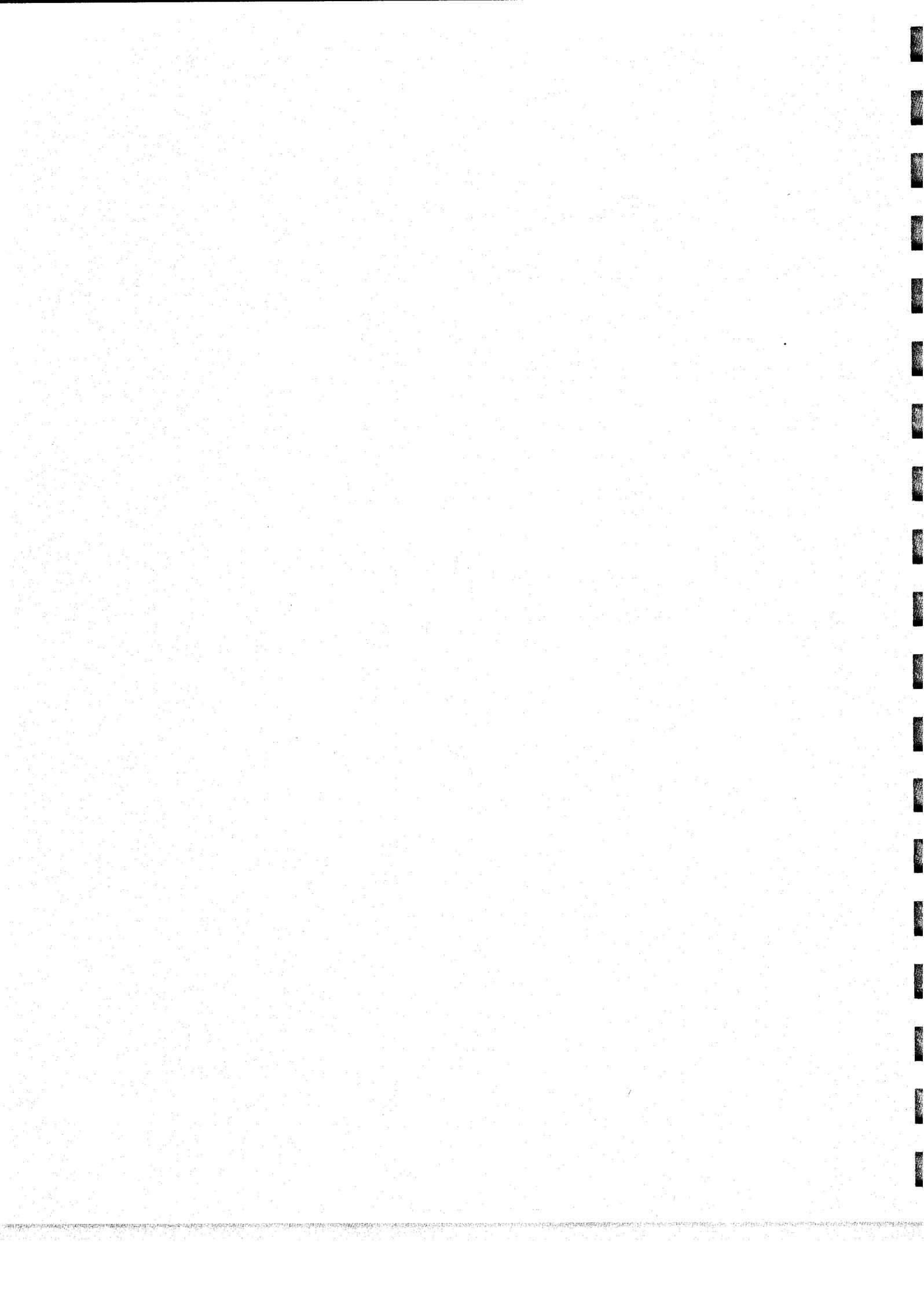
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance  
For the fiscal years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES:</b>		
Hotel occupancy tax	52,079	-
Interest income	9	-
	<u>52,088</u>	<u>-</u>
<b>EXPENDITURES:</b>		
Current		
Tourism	30,339	-
	<u>30,339</u>	<u>-</u>
Net change in fund balance	21,749	-
Fund balance, October 1, 2008	<u>-</u>	<u>-</u>
Fund balance, September 30, 2009	<u>\$ 21,749</u>	<u>\$ -</u>

CITY OF RICHLAND HILLS, TEXAS  
 Hotel Occupancy Tax - Special Revenue Fund  
 Comparative Schedules of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Hotel occupancy tax	\$ 97,917	\$ 52,079	\$ (45,838)
Interest income	250	9	(241)
Total revenues	<u>98,167</u>	<u>52,088</u>	<u>(46,079)</u>
Expenditures:			
Current			
Tourism	<u>75,000</u>	<u>30,339</u>	<u>44,661</u>
Total expenditures	<u>75,000</u>	<u>30,339</u>	<u>44,661</u>
Net change in fund balance	23,167	21,749	(1,418)
Fund balance, October 1, 2008	-	-	-
Fund balance, September 30, 2009	<u>\$ 23,167</u>	<u>\$ 21,749</u>	<u>\$ (1,418)</u>

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
\$ -	\$ -	\$ -



**DEBT SERVICE FUNDS**

## CITY OF RICHLAND HILLS, TEXAS

EXHIBIT I-1

Debt Service Fund  
Comparative Balance Sheets  
September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 132,904	\$ 107,460
Receivables (Net of allowances for uncollectibles)		
Property taxes, delinquent	<u>9,576</u>	<u>9,025</u>
Total assets	<u>\$ 142,480</u>	<u>\$ 116,485</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Due to other funds	\$ 693	\$ 7,138
Deferred revenue	<u>9,576</u>	<u>9,025</u>
Total liabilities	<u>10,269</u>	<u>16,163</u>
Fund balances:		
Reserved for debt service	<u>132,211</u>	<u>100,322</u>
Total liabilities and fund balances	<u>\$ 142,480</u>	<u>\$ 116,485</u>

## CITY OF RICHLAND HILLS, TEXAS

EXHIBIT I-2

## Debt Service Fund

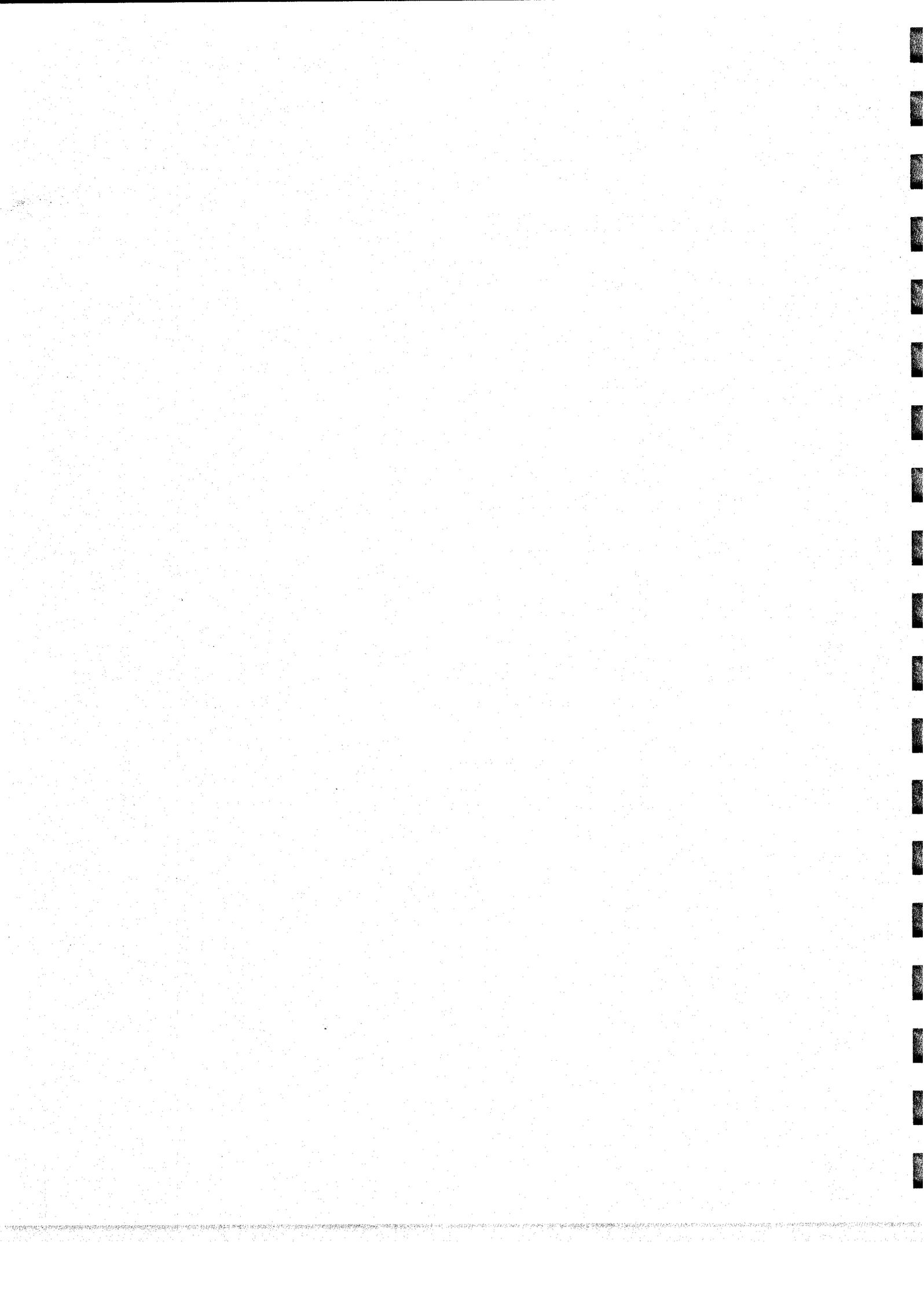
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances  
For the fiscal years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>		
Property taxes	\$ 227,533	\$ 222,791
Interest income	245	345
	<u>227,778</u>	<u>223,136</u>
<b>Expenditures:</b>		
Debt Service:		
Principal	242,000	223,000
Interest and fiscal charges	79,663	99,393
	<u>321,663</u>	<u>322,393</u>
Excess (deficiency) of revenues over (under) expenditures:	(93,885)	(99,257)
Other financing sources (uses):		
Transfers in	<u>125,774</u>	<u>124,170</u>
Total other financing sources (uses)	125,774	124,170
Net change in fund balance	31,889	24,913
Fund Balance, October 1, 2008	<u>100,322</u>	<u>75,409</u>
Fund Balance, September 30, 2009	<u>\$ 132,211</u>	<u>\$ 100,322</u>

CITY OF RICHLAND HILLS, TEXAS  
Debt Service Fund  
Comparative Schedules of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Property taxes	\$ 200,515	\$ 227,533	\$ 27,018
Interest income	2,917	245	(2,672)
<b>Total revenues</b>	<b>203,432</b>	<b>227,778</b>	<b>24,346</b>
<b>Expenditures:</b>			
<b>Debt Service:</b>			
Principal	242,000	242,000	-
Interest and fiscal charges	79,765	79,663	102
<b>Total expenditures</b>	<b>321,765</b>	<b>321,663</b>	<b>102</b>
<b>Excess (deficiency) of revenues over (under) expenditures:</b>	<b>(118,333)</b>	<b>(93,885)</b>	<b>24,448</b>
<b>Other financing sources (uses):</b>			
Transfers in	124,690	125,774	1,084
<b>Net change in fund balance</b>	<b>6,357</b>	<b>31,889</b>	<b>25,532</b>
<b>Fund Balance, October 1, 2008</b>	<b>100,322</b>	<b>100,322</b>	<b>-</b>
<b>Fund Balance, September 30, 2009</b>	<b>\$ 106,679</b>	<b>\$ 132,211</b>	<b>\$ 25,532</b>

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 202,003	\$ 222,791	\$ 20,788
6,606	345	(6,261)
<u>208,609</u>	<u>223,136</u>	<u>14,527</u>
223,000	223,000	-
<u>99,606</u>	<u>99,393</u>	<u>213</u>
<u>322,606</u>	<u>322,393</u>	<u>213</u>
(113,997)	(99,257)	14,740
<u>124,179</u>	<u>124,170</u>	<u>(9)</u>
10,182	24,913	14,731
<u>75,409</u>	<u>75,409</u>	<u>-</u>
<u>\$ 85,591</u>	<u>\$ 100,322</u>	<u>\$ 14,731</u>



**CAPITAL PROJECTS FUNDS**

**CITY OF RICHLAND HILLS, TEXAS**  
**Road and Street - Capital Projects Fund**  
**Comparative Schedules of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the fiscal years ended September 30, 2009 and 2008**

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ 85,912	\$ 113,320	\$ 27,408
Interest	2,147	149	(1,998)
<b>Total revenues</b>	<b>88,059</b>	<b>113,469</b>	<b>25,410</b>
<b>Expenditures:</b>			
Capital outlay	85,912	168	85,744
<b>Total expenditures</b>	<b>85,912</b>	<b>168</b>	<b>85,744</b>
<b>Net change in fund balance</b>	<b>2,147</b>	<b>113,301</b>	<b>111,154</b>
<b>Fund Balance, October 1, 2008</b>	<b>20,523</b>	<b>20,523</b>	<b>-</b>
<b>Fund Balance, September 30, 2009</b>	<b>\$ 22,670</b>	<b>\$ 133,824</b>	<b>\$ 111,154</b>

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 78,612	\$ 100,155	\$ 21,543
<u>7,300</u>	<u>(553)</u>	<u>(7,853)</u>
85,912	99,602	13,690
<u>229,600</u>	<u>229,554</u>	<u>46</u>
<u>229,600</u>	<u>229,554</u>	<u>46</u>
(143,688)	(129,952)	13,736
<u>150,475</u>	<u>150,475</u>	<u>-</u>
<u>\$ 6,787</u>	<u>\$ 20,523</u>	<u>\$ 13,736</u>

**CITY OF RICHLAND HILLS, TEXAS**  
**Equipment Replacement - Capital Projects Fund**  
**Comparative Schedules of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the fiscal years ended September 30, 2009 and 2008**

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ -	-
Interest	-	7	7
<b>Total revenues</b>	<u>-</u>	<u>7</u>	<u>7</u>
<b>Expenditures:</b>			
Capital outlay	135,114	135,113	1
<b>Total expenditures</b>	<u>135,114</u>	<u>135,113</u>	<u>1</u>
<b>Excess (deficiency) of revenues over (under) expenditures:</b>	<u>(135,114)</u>	<u>(135,106)</u>	<u>8</u>
<b>Other financing sources (uses):</b>			
Transfers in	135,114	135,113	(1)
<b>Total other financing sources (uses)</b>	<u>135,114</u>	<u>135,113</u>	<u>(1)</u>
<b>Net change in fund balance</b>	-	7	7
<b>Fund Balance, October 1, 2008</b>	<u>37</u>	<u>37</u>	<u>-</u>
<b>Fund Balance, September 30, 2009</b>	<u>\$ 37</u>	<u>\$ 44</u>	<u>\$ 7</u>

2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 9,307	\$ 9,307
-	10	10
-	9,317	9,317
115,182	81,411	33,771
115,182	81,411	33,771
(115,182)	(72,094)	43,088
115,182	72,103	(43,079)
115,182	72,103	(43,079)
-	9	9
28	28	-
\$ 28	\$ 37	\$ 9

CITY OF RICHLAND HILLS, TEXAS  
 2001 Certificates of Obligation - Capital Projects Fund  
 Comparative Schedules of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Interest	\$ -	\$ 119	\$ 119
Total revenues	-	119	119
Expenditures:			
Capital outlay	125	158	(33)
Total expenditures	125	158	(33)
Net change in fund balance	(125)	(39)	86
Fund Balance, October 1, 2008	68,083	68,083	-
Fund Balance, September 30, 2009	\$ 67,958	\$ 68,044	\$ 86

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ 149	\$ 149
-	149	149
<u>26,000</u>	<u>24,433</u>	<u>1,567</u>
<u>26,000</u>	<u>24,433</u>	<u>1,567</u>
(26,000)	(24,284)	1,716
<u>92,367</u>	<u>92,367</u>	<u>-</u>
\$ <u><u>66,367</u></u>	\$ <u><u>68,083</u></u>	\$ <u><u>1,716</u></u>

CITY OF RICHLAND HILLS, TEXAS  
Oil and Gas Lease - Capital Projects Fund  
Comparative Schedules of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual  
For the fiscal years ended September 30, 2009 and 2008

	2009		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Interest	\$ 2,500	\$ 432	\$ (2,068)
Other Revenue	100,000	850,368	750,368
Total revenues	102,500	850,800	748,300
Expenditures:			
Capital outlay	105,536	139,993	(34,457)
Total expenditures	105,536	139,993	(34,457)
Net change in fund balance	(3,036)	710,807	713,843
Fund Balance, October 1, 2008	120,710	120,710	-
Fund Balance, September 30, 2009	\$ 117,674	\$ 831,517	\$ 713,843

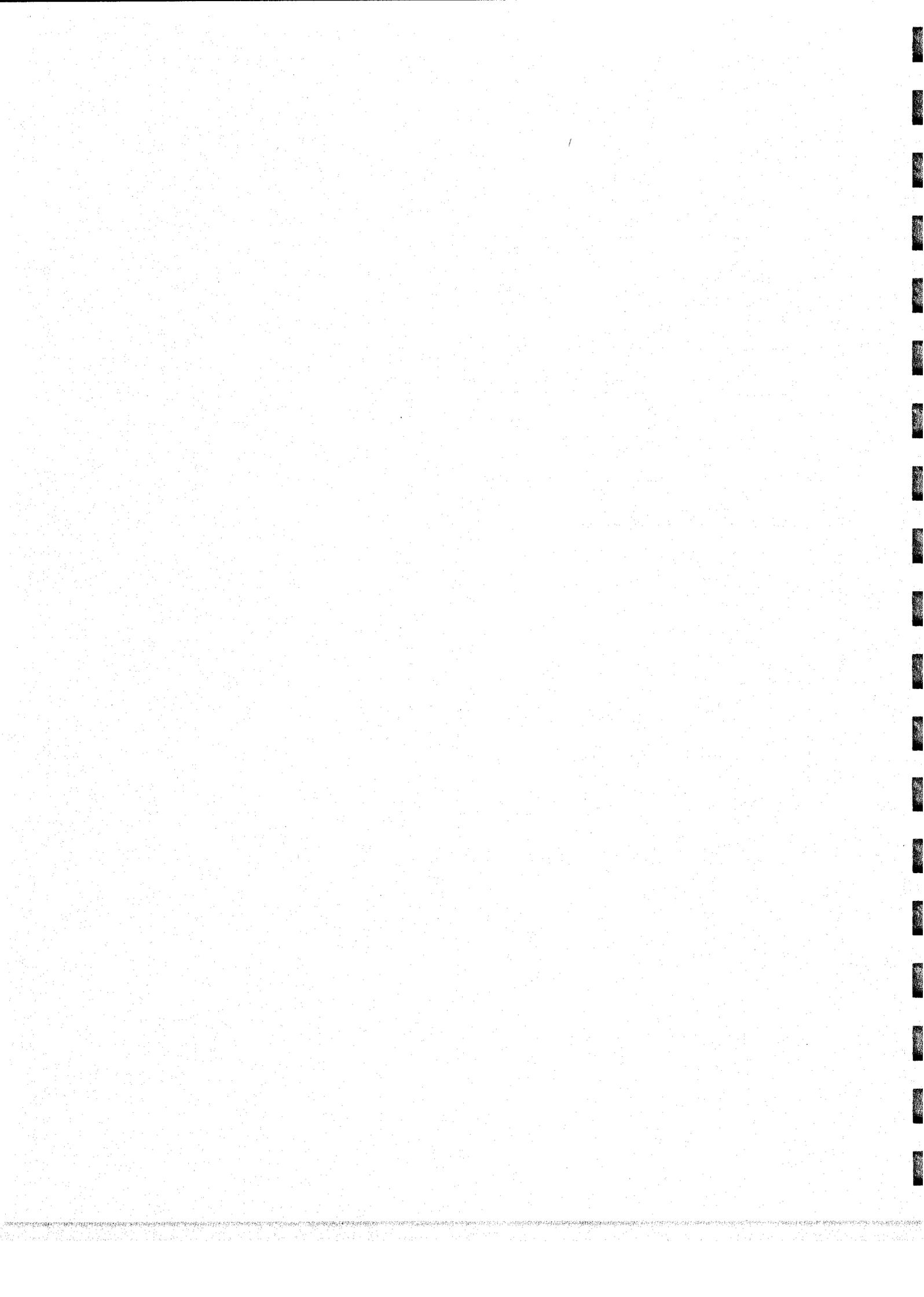
2008		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ (787)	\$ (787)
<u>-</u>	<u>120,833</u>	<u>120,833</u>
<u>-</u>	<u>120,046</u>	<u>120,046</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	120,046	120,046
<u>664</u>	<u>664</u>	<u>-</u>
<u>\$ 664</u>	<u>\$ 120,710</u>	<u>\$ 120,046</u>

CITY OF RICHLAND HILLS, TEXAS  
 2007 Public Property Finance Contractual Obligation - Capital Projects Fund  
 Comparative Schedules of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 For the fiscal years ended September 30, 2009 and 2008

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Interest	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Capital outlay	-	-	-
Debt issuance costs	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures:	-	-	-
Other financing sources (uses):			
Transfers in	-	-	-
Contractual obligation bonds issued	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	-	-
Fund Balance, October 1, 2008	-	-	-
Fund Balance, September 30, 2009	\$ -	\$ -	\$ -

EXHIBIT J-5

2008		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 987	\$ 5,373	\$ 4,386
<u>987</u>	<u>5,373</u>	<u>4,386</u>
590,688	590,688	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>590,688</u>	<u>590,688</u>	<u>-</u>
<u>(589,701)</u>	<u>(585,315)</u>	<u>4,386</u>
55,688	48,507	(7,181)
<u>-</u>	<u>-</u>	<u>-</u>
<u>55,688</u>	<u>48,507</u>	<u>(7,181)</u>
(534,013)	(536,808)	(2,795)
<u>536,808</u>	<u>536,808</u>	<u>-</u>
<u>\$ 2,795</u>	<u>\$ -</u>	<u>\$ (2,795)</u>



## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominantly self-supported by user charges. The operations of the Enterprise Funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises. The following activities of the City are reported as enterprise funds.

**The Water and Sewer Fund** is used to account for the operation of the water and sewage systems for the City. This Fund's operations and debt retirements are financed by service charges to users.

**The Drainage Utility Fund** is used to account for the construction and maintenance of the drainage system for the city. This Fund's operations are financed by service charges to users.

CITY OF RICHLAND HILLS, TEXAS  
 Water and Sewer Fund  
 Comparative Statements of Net Assets  
 September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,850	\$ 263,053
Investments	476,219	499,919
Receivables (Net of allowance for uncollectibles):		
Accounts	548,426	525,407
Interest	-	207
Miscellaneous	-	26,898
Supplies inventory	12,990	12,990
Restricted Assets:		
Cash and cash equivalents	620,172	821,765
Investments	1,099,443	1,619,800
Accrued interest	-	3,318
	<u>2,761,100</u>	<u>3,773,357</u>
Total current assets		
Noncurrent Assets:		
Deferred Charges	<u>153,082</u>	<u>165,726</u>
Capital assets, at cost:		
Land	207,267	207,267
Construction in progress	497,446	54,023
Buildings	193,430	193,430
Improvements other than buildings	27,692	27,692
Waterworks and sewer system	15,189,004	14,979,287
Equipment	966,894	917,198
	<u>17,081,733</u>	<u>16,378,897</u>
Less: accumulated depreciation	<u>(6,004,094)</u>	<u>(5,619,413)</u>
	<u>11,077,639</u>	<u>10,759,484</u>
Capital assets, net		
	<u>11,230,721</u>	<u>10,925,210</u>
Total noncurrent assets		
	<u>11,230,721</u>	<u>10,925,210</u>
Total assets	\$ <u>13,991,821</u>	\$ <u>14,698,567</u>

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 257,700	\$ 255,710
Compensated absences	27,814	31,056
Due to other funds	947,127	1,005,111
Current Liabilities Payable from Restricted Assets:		
Current portion of revenue bonds payable	417,814	395,971
Interest payable	44,442	44,443
Due to other funds	213,750	378,061
Customer deposits payable	95,271	86,844
	<u>2,003,918</u>	<u>2,197,196</u>
Total current liabilities		
Noncurrent Liabilities:		
Compensated absences	56,816	46,884
Net pension obligation	16,820	-
Capital leases payable	300,522	343,335
Revenue bonds payable	5,395,000	5,770,000
	<u>5,769,158</u>	<u>6,160,219</u>
Total noncurrent liabilities		
	<u>7,773,076</u>	<u>8,357,415</u>
Total liabilities		
<b>NET ASSETS:</b>		
Investment in capital assets, net of debt	5,724,425	5,725,760
Restricted for debt service (Expendable)	1,039,337	1,011,985
Unrestricted	(545,017)	(396,593)
Total net assets	<u>\$ 6,218,745</u>	<u>\$ 6,341,152</u>

## CITY OF RICHLAND HILLS, TEXAS

EXHIBIT K-2

## Water and Sewer Fund

Comparative Statements of Revenues, Expenses and Changes in Fund Net Assets  
For the fiscal years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Charges for sales and services:		
Water sales	\$ 1,702,391	\$ 1,638,011
Sewer charges	937,407	991,397
Late payment fee	94,322	82,318
Waste disposal fee	70,644	72,073
Billing charges	337,295	337,532
Miscellaneous	25,068	12,096
	<u>3,167,127</u>	<u>3,133,427</u>
Total operating revenue		
Operating expenses:		
Administration	822,083	819,806
Operations	2,043,106	2,014,090
Depreciation	416,159	390,141
	<u>3,281,348</u>	<u>3,224,037</u>
Total operating expenses		
Operating income (loss)	<u>(114,221)</u>	<u>(90,610)</u>
Nonoperating revenues (expenses):		
Interest revenue	8,690	51,220
Bond interest expense	(270,430)	(282,474)
Amortization of bond issuance costs	(12,644)	(12,644)
	<u>(274,384)</u>	<u>(243,898)</u>
Total nonoperating revenues (expenses)		
Income (loss) before transfers	<u>(388,605)</u>	<u>(334,508)</u>
Transfers (to) from other funds:		
Transfers in	<u>266,198</u>	<u>-</u>
Change in net Assets	(122,407)	(334,508)
Net Assets, October 1, 2008	<u>6,341,152</u>	<u>6,675,660</u>
Net Assets, September 30, 2009	<u>\$ 6,218,745</u>	<u>\$ 6,341,152</u>

CITY OF RICHLAND HILLS, TEXAS  
Water and Sewer Fund  
Comparative Statements of Cash Flows  
For the fiscal years ended September 30, 2009 and 2008

EXHIBIT K-3

	2009	2008
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 3,152,534	\$ 3,061,599
Cash paid to suppliers	(2,173,526)	(1,938,711)
Cash paid to employees	(766,213)	(745,957)
Net cash provided by operating activities	212,795	376,931
<b>Cash flow from noncapital financing activities:</b>		
Transfers in	266,198	-
Net cash provided (used) by noncapital financing activities	266,198	-
<b>Cash flow from capital and related financing activities:</b>		
Principal payments on long-term debt	(395,971)	(384,207)
Proceeds from capital lease	-	129,404
Increase (decrease) in due to other funds	(122,244)	138,434
Miscellaneous receivable	26,898	(26,898)
Capital expenditures	(734,314)	(687,691)
Interest paid on bonds	(270,428)	(285,521)
Net cash (used) by capital and related financing activities	(1,496,059)	(1,116,479)
<b>Cash flow from investing activities:</b>		
Interest received	12,213	92,710
Net cash provided by investing activities	12,213	92,710
Net increase (decrease) in cash and cash equivalents	(1,004,853)	(646,838)
Cash and cash equivalents, October 1, 2008	3,204,537	3,851,375
Cash and cash equivalents, September 30, 2009	\$ 2,199,684	\$ 3,204,537
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$ (114,221)	\$ (90,610)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	416,159	390,141
(Increase) decrease in accounts receivable	(23,019)	(73,226)
Increase (decrease) in accounts payable and accrued liabilities	25,500	14,530
Increase (decrease) in due to other funds	(100,051)	134,698
Increase (decrease) in customer meter deposits	8,427	1,398
Total adjustments	327,016	467,541
Net cash provided by operating activities	\$ 212,795	\$ 376,931

CITY OF RICHLAND HILLS, TEXAS  
 Drainage Utility Fund  
 Comparative Statements of Net Assets  
 September 30, 2009 and 2008

EXHIBIT K-4

	<u>2009</u>	<u>2008</u>
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 204,613	\$ 90,056
Investments	200,109	74,867
Interest receivable	-	189
Due from other funds	<u>170,246</u>	<u>50,821</u>
Total current assets	<u>574,968</u>	<u>215,933</u>
Noncurrent Assets:		
Capital assets, at cost:		
Construction in progress	186,600	-
Drainage improvements	160,088	160,088
Equipment	73,266	67,374
Less: accumulated depreciation	<u>(51,056)</u>	<u>(34,608)</u>
Capital assets, net	<u>368,898</u>	<u>192,854</u>
Total assets	<u>\$ 943,866</u>	<u>\$ 408,787</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 6,631	\$ 5,117
Due to other funds	<u>3,903</u>	<u>-</u>
Total current liabilities	<u>10,534</u>	<u>5,117</u>
Noncurrent Liabilities:		
Net pension obligation	1,148	-
Total liabilities	<u>11,682</u>	<u>5,117</u>
<b>NET ASSETS:</b>		
Investment in capital assets, net of debt	368,898	192,854
Unrestricted	<u>563,286</u>	<u>210,816</u>
Total net assets	<u>\$ 932,184</u>	<u>\$ 403,670</u>

CITY OF RICHLAND HILLS, TEXAS  
 Drainage Utility Fund  
 Comparative Statements of Revenues, Expenses and Changes  
 in Fund Net Assets  
 For the fiscal years ended September 30, 2009 and 2008

EXHIBIT K-5

	2009	2008
Operating revenues:		
Billing charges	\$ 662,405	\$ 177,406
Operating expenses:		
Operations	117,769	237,919
Depreciation	16,449	12,807
Total operating expenses	134,218	250,726
Operating income (loss)	528,187	(73,320)
Nonoperating revenues:		
Interest revenue	327	7,707
Total nonoperating revenues	327	7,707
Change in Net Assets	528,514	(65,613)
Net Assets, October 1, 2008	403,670	469,283
Net Assets, September 30, 2009	\$ 932,184	\$ 403,670

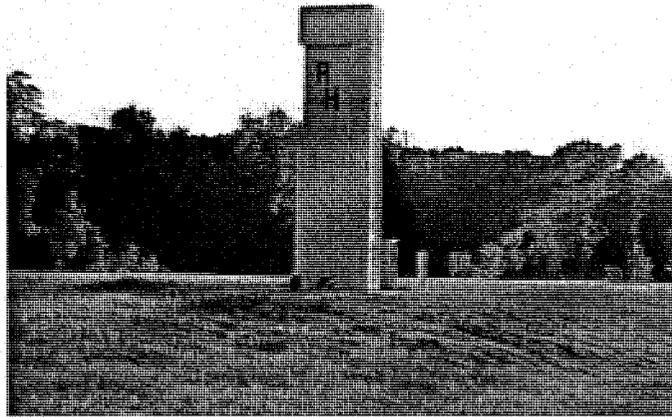
CITY OF RICHLAND HILLS, TEXAS  
 Drainage Utility Fund  
 Comparative Statement of Cash Flows  
 For the fiscal years ended September 30, 2009 and 2008

EXHIBIT K-6

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 546,883	\$ 169,673
Cash paid to suppliers	(60,765)	(171,944)
Cash paid to employees	(54,343)	(61,999)
Net cash provided by operating activities	<u>431,775</u>	<u>(64,270)</u>
<b>Cash flow from capital and related financing activities:</b>		
Capital expenditures	<u>(192,492)</u>	<u>(102,668)</u>
Net cash provided (used) by capital and related financing activities	<u>(192,492)</u>	<u>(102,668)</u>
<b>Cash flow from investing activities:</b>		
Interest received	<u>516</u>	<u>8,155</u>
Net cash provided by investing activities	<u>516</u>	<u>8,155</u>
Net increase (decrease) in cash and cash equivalents	239,799	(158,783)
Cash and cash equivalents, October 1, 2008	<u>164,923</u>	<u>323,706</u>
Cash and cash equivalents, September 30, 2009	<u>\$ 404,722</u>	<u>\$ 164,923</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$ <u>528,187</u>	\$ <u>(73,320)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	16,449	12,807
(Increase) decrease in due from other funds	(119,424)	(7,733)
Increase (decrease) in accounts payable and accrued liabilities	2,660	3,976
Increase (decrease) in due to other funds	<u>3,903</u>	<u>-</u>
Total adjustments	<u>(96,412)</u>	<u>9,050</u>
Net cash provided by operating activities	<u>\$ 431,775</u>	<u>\$ (64,270)</u>

**CAPITAL ASSET SCHEDULES**

**GOVERNMENTAL FUNDS**



**Richland Hills**, *We're in the middle of things...*

**CITY OF RICHLAND HILLS**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules By Source**  
**September 30, 2009 and 2008**

	2009	2008
<b>Capital Assets:</b>		
Land	\$ 325,343	\$ 325,343
Construction in Progress	375,588	137,258
Improvements other than buildings	968,780	923,674
Buildings	2,205,361	2,201,716
Machinery and equipment	4,431,090	4,784,861
Streets	18,217,775	18,004,409
 Total general capital assets	 \$ 26,523,937	 \$ 26,377,261
 <b>Investments in capital assets by source:</b>		
General Fund	\$ 6,072,317	\$ 6,180,482
Special Revenue Fund	1,890,132	1,890,132
Capital Projects Funds	18,561,488	18,306,647
	 \$ 26,523,937	 \$ 26,377,261

**CITY OF RICHLAND HILLS, TEXAS**

Capital Assets Used in the Operation of Governmental Funds  
 Schedule By Function and Activity  
 September 30, 2008

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Improvements Other Than Buildings</u>
Function and Activity			
General government:			
Administration	\$ 164,754	\$	\$ 167,850
Animal control	60,000		11,718
Municipal			
Legislative			2,063
<b>Total general government</b>	<b>224,754</b>	<b>-</b>	<b>181,631</b>
Public Safety:			
Police department	49,839		89,475
Fire and ambulance department			29,879
<b>Total public safety</b>	<b>49,839</b>	<b>-</b>	<b>119,354</b>
Culture and recreation:			
Library	28,750		55,069
Park department	22,000		113,288
Community center			40,784
Parks and beautification			222,809
<b>Total culture and recreation</b>	<b>50,750</b>	<b>-</b>	<b>431,950</b>
Street department		375,588	235,845
<b>Total capital assets</b>	<b>\$ 325,343</b>	<b>\$ 375,588</b>	<b>\$ 968,780</b>

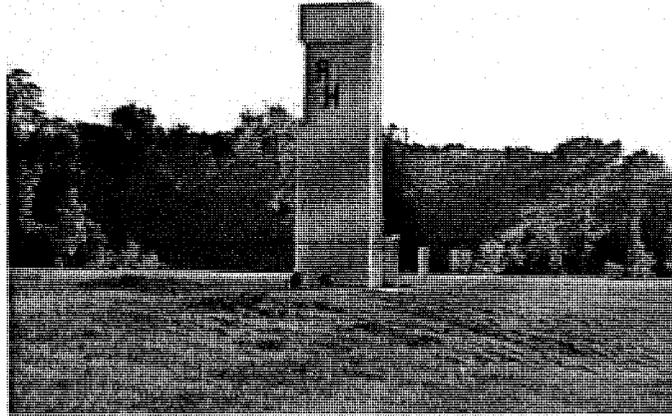
**EXHIBIT L-2**

<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Streets</u>	<u>Total</u>
\$ 106,675	\$ 359,510	\$	\$ 798,789
393,726	63,027		528,471
	59,069		59,069
	74,686		76,749
<u>500,401</u>	<u>556,292</u>	<u>-</u>	<u>1,463,078</u>
852,163	1,619,110		2,610,587
75,364	1,719,660		1,824,903
<u>927,527</u>	<u>3,338,770</u>	<u>-</u>	<u>4,435,490</u>
514,458	175,788		774,065
13,930	44,401		193,619
198,011	18,569		257,364
10,149	172,907		405,865
<u>736,548</u>	<u>411,665</u>	<u>-</u>	<u>1,630,913</u>
40,885	124,363	18,217,775	18,994,456
<u>\$ 2,205,361</u>	<u>\$ 4,431,090</u>	<u>\$ 18,217,775</u>	<u>\$ 26,523,937</u>

**CITY OF RICHLAND HILLS, TEXAS**  
**Schedule of Changes in Governmental Activities Capital Assets - By Function and Activity**  
**For the fiscal year ended September 30, 2009**

Function and Activity	Capital Assets October 1, 2008	Additions	Deductions	Capital Assets September 30, 2009
<b>Function and Activity</b>				
<b>General government:</b>				
Administration	\$ 803,396	\$ 33,293	\$ 37,900	\$ 798,789
Animal control	528,471			528,471
Municipal	57,584	1,485		59,069
Legislative	78,807		2,058	76,749
<b>Total general government</b>	<b>1,468,258</b>	<b>34,778</b>	<b>39,958</b>	<b>1,463,078</b>
<b>Public Safety:</b>				
Police department	2,417,592	220,369	27,374	2,610,587
Fire and ambulance department	2,319,321	(75,126)	419,292	1,824,903
<b>Total public safety</b>	<b>4,736,913</b>	<b>145,243</b>	<b>446,666</b>	<b>4,435,490</b>
<b>Culture and recreation:</b>				
Library	760,371	14,144	450	774,065
Park department	202,619		9,000	193,619
Community center	257,364			257,364
Parks and beautification	405,865			405,865
<b>Total culture and recreation</b>	<b>1,626,219</b>	<b>14,144</b>	<b>9,450</b>	<b>1,630,913</b>
<b>Street department</b>	<b>18,545,871</b>	<b>451,695</b>	<b>3,110</b>	<b>18,994,456</b>
<b>Total capital assets</b>	<b>\$ 26,377,261</b>	<b>\$ 645,860</b>	<b>\$ 499,184</b>	<b>\$ 26,523,937</b>

**OTHER SCHEDULES**



**Richland Hills**, *We're in the middle of things...*

**CITY OF RICHLAND HILLS, TEXAS**  
**Enterprise Funds**  
**Restricted Cash and Investments**  
**Schedule of Cash Receipts and Disbursements**  
**For the year ended September 30, 2009**

	Customer Meter Deposits	EPA Wastewater Bonds I&S	2002 Revenue Bonds I&S	Revenue Bonds Reserve	2007 Revenue Bonds Construction	2007 Revenue Bonds I&S	Total
Balance October 1, 2008	\$ 86,844	\$ 508,257	\$ 34,802	\$ 299,995	\$ 1,480,607	\$ 31,060	\$ 2,441,565
<b>Cash receipts:</b>							
Amount from unrestricted assets			166,808	8,239		153,635	328,682
Billing charges		337,295					337,295
Interest		1,342	64	1,141	5,688	53	8,288
Net change in deposits	8,428						8,428
(Increase) decrease in due from other funds		62,705			26,898		89,603
<b>Total cash receipts</b>	<b>8,428</b>	<b>401,342</b>	<b>166,872</b>	<b>9,380</b>	<b>32,586</b>	<b>153,688</b>	<b>772,296</b>
<b>Cash disbursements:</b>							
Bond principal paid		195,000	85,000			75,000	355,000
Interest paid		91,790	82,078			79,266	253,134
Capital outlay paid					745,088		745,088
(Increase) decrease in due to other funds		287,645	(12,630)	(9,333)	(124,007)	(653)	141,022
<b>Total cash disbursements</b>	<b>-</b>	<b>574,435</b>	<b>154,448</b>	<b>(9,333)</b>	<b>621,081</b>	<b>153,613</b>	<b>1,494,244</b>
Balance September 30, 2009	\$ 95,272	\$ 335,164	\$ 47,226	\$ 318,708	\$ 892,112	\$ 31,135	\$ 1,719,617
<b>Composition of balance:</b>							
Cash in bank	\$ 95,271	\$ 35,391	\$ 47,226	\$ 18,935	\$ 392,214	\$ 31,135	\$ 620,172
Investment pool	-	299,773	-	299,773	499,897	-	1,099,443
<b>Totals</b>	<b>\$ 95,271</b>	<b>\$ 335,164</b>	<b>\$ 47,226</b>	<b>\$ 318,708</b>	<b>\$ 892,111</b>	<b>\$ 31,135</b>	<b>\$ 1,719,615</b>

## CITY OF RICHLAND HILLS, TEXAS

SCHEDULE 2

## Enterprise Funds

Page 1 of 3

Schedule of Operating Expenses - Budget and Actual  
 For the fiscal year ended September 30, 2009  
 (With comparative actual totals for September 30, 2008)

Water and Sewer Fund	2009		Variance	2008 Actual
	Budget	Actual	Favorable (Unfavorable)	
<b>General and Administrative:</b>				
Office salaries	\$ 269,455	\$ 275,511	\$ (6,056)	\$ 269,004
Payroll tax	20,262	18,791	1,471	18,535
Retirement	34,695	46,250	(11,555)	35,460
Employee insurance	29,594	29,594	-	23,591
Legal fees	87,500	124,869	(37,369)	142,129
Auditing	20,823	22,372	(1,549)	20,881
Engineering/consulting fee	-	4,900	(4,900)	-
Franchise fees	60,000	60,000	-	60,000
Office supplies	4,358	4,127	231	7,533
Printing	5,040	2,858	2,182	2,045
E-commerce and electronic payment fees	23,245	24,178		24,422
Legal advertising	3,220	3,529	(309)	3,837
Gasoline	-	-	-	529
Office equipment and repairs	26,131	26,803	(672)	33,716
Building maintenance and supplies	21,702	22,374	(672)	18,464
Postage	14,402	13,508	894	8,893
Memberships and subscriptions	3,787	4,488	(701)	4,306
Other programs	1,841	-	1,841	1,138
Travel and training	4,868	1,816	3,052	1,511
Newsletter	8,110	7,234	876	4,230
Power and light	10,070	11,406	(1,336)	11,536
Natural gas	1,175	793	382	1,066
Telephone	6,655	6,967	(312)	6,373
Insurance	7,126	7,499	(373)	7,096
Miscellaneous expense	-	-	-	-
<b>Total General and Administrative</b>	<b>664,059</b>	<b>719,867</b>	<b>(55,808)</b>	<b>706,295</b>
<b>Legislative:</b>				
Salaries	49,934	43,195	6,739	42,907
Payroll tax	3,730	3,032	698	3,092
Retirement	6,400	6,765	(365)	5,477
Employee insurance	3,608	3,093	515	3,020
Council compensation	504	355	149	355
Election	3,640	5,977	(2,337)	-
Office supplies	2,100	2,306	(206)	1,418
Printing	840	2,128	(1,288)	10,251
Office equipment maintenance	560	2,084	(1,524)	5,034
Minor office equipment	-	-	-	7,624
Legal advertising	2,100	612	1,488	333
Postage	1,663	1,663	-	1,768
Memberships and subscriptions	10,807	9,349	1,458	8,664
Employee/volunteer programs	6,560	3,445	3,115	5,071
Other programs	455	35	420	-
Travel and training	7,000	6,303	697	6,033
Contingency fund	5,250	1,260	3,990	1,812
Insurance	11,060	10,614	446	10,652
Equipment	-	-	-	-
<b>Total legislative</b>	<b>116,211</b>	<b>102,216</b>	<b>13,995</b>	<b>113,511</b>
<b>Total Administration</b>	<b>780,270</b>	<b>822,083</b>	<b>(41,813)</b>	<b>819,806</b>

## CITY OF RICHLAND HILLS, TEXAS

SCHEDULE 2

## Enterprise Funds

Page 2 of 3

Schedule of Operating Expenses - Budget and Actual  
 For the fiscal year ended September 30, 2009  
 (With comparative actual totals for September 30, 2008)

Water and Sewer Fund - continued	2009			2008 Actual
	Budget	Actual	Variance Favorable (Unfavorable)	
Operations				
Water production and distribution:				
Salaries	\$ 211,255	\$ 220,187	\$ (8,932)	\$ 209,581
Payroll tax	15,027	16,333	(1,306)	17,762
Retirement	25,189	31,925	(6,736)	26,918
Employee insurance	25,772	24,435	1,337	21,538
Laboratory Fees	4,600	2,389	2,211	1,464
Engineer/consulting fees	-	-	-	-
Physicals	200	915	(715)	46
Office and operating supplies	3,900	4,080	(180)	4,394
Printing	400	62	338	290
Gasoline and oil	11,200	10,749	451	14,803
Office equipment maintenance	2,200	2,555	(355)	4,379
Building maintenance and supplies	41,100	42,291	(1,191)	24,134
Uniforms	2,200	1,295	905	4,000
Vehicle maintenance and supplies	5,200	5,089	111	4,236
Radio maintenance	5,500	6,166	(666)	6,734
Equipment repair and tools	1,500	121	1,379	2,797
Street repair material	6,500	4,142	2,358	1,096
Paints and chemicals	400	361	39	240
Operating equipment and supplies	3,500	3,371	129	1,025
Water system supplies	29,000	20,808	8,192	14,414
Well and tank maintenance	18,000	10,229	7,771	7,339
Meter repair and replacements	3,000	3,681	(681)	416
Memberships and subscriptions	1,000	467	533	1,222
Training and travel	4,500	3,583	917	4,194
Water purchases	345,000	436,787	(91,787)	393,794
Standby charge	80,000	104,313	(24,313)	71,744
Power and light	98,000	92,856	5,144	117,016
Natural gas	900	576	324	646
Telephone	4,500	6,498	(1,998)	6,375
Insurance	17,701	19,205	(1,504)	17,336
Equipment	1,593	1,485	108	1,517
Water system improvements	76,682	116,330	(39,648)	(5,128)
Total water production and distribution	<u>1,045,519</u>	<u>1,193,284</u>	<u>(147,765)</u>	<u>976,322</u>
Wastewater collections and treatment:				
Salaries	260,376	239,485	20,891	239,709
Payroll tax	19,174	17,432	1,742	16,909
Retirement	32,096	36,060	(3,964)	27,733
Employee insurance	25,772	24,913	859	24,397
Laboratory Fees	1,000	595	405	600
Physicals	500	-	500	49
Supplies	2,450	1,515	935	1,297
Gasoline and oil	9,250	6,116	3,134	10,839

## CITY OF RICHLAND HILLS, TEXAS

SCHEDULE 2

## Enterprise Funds

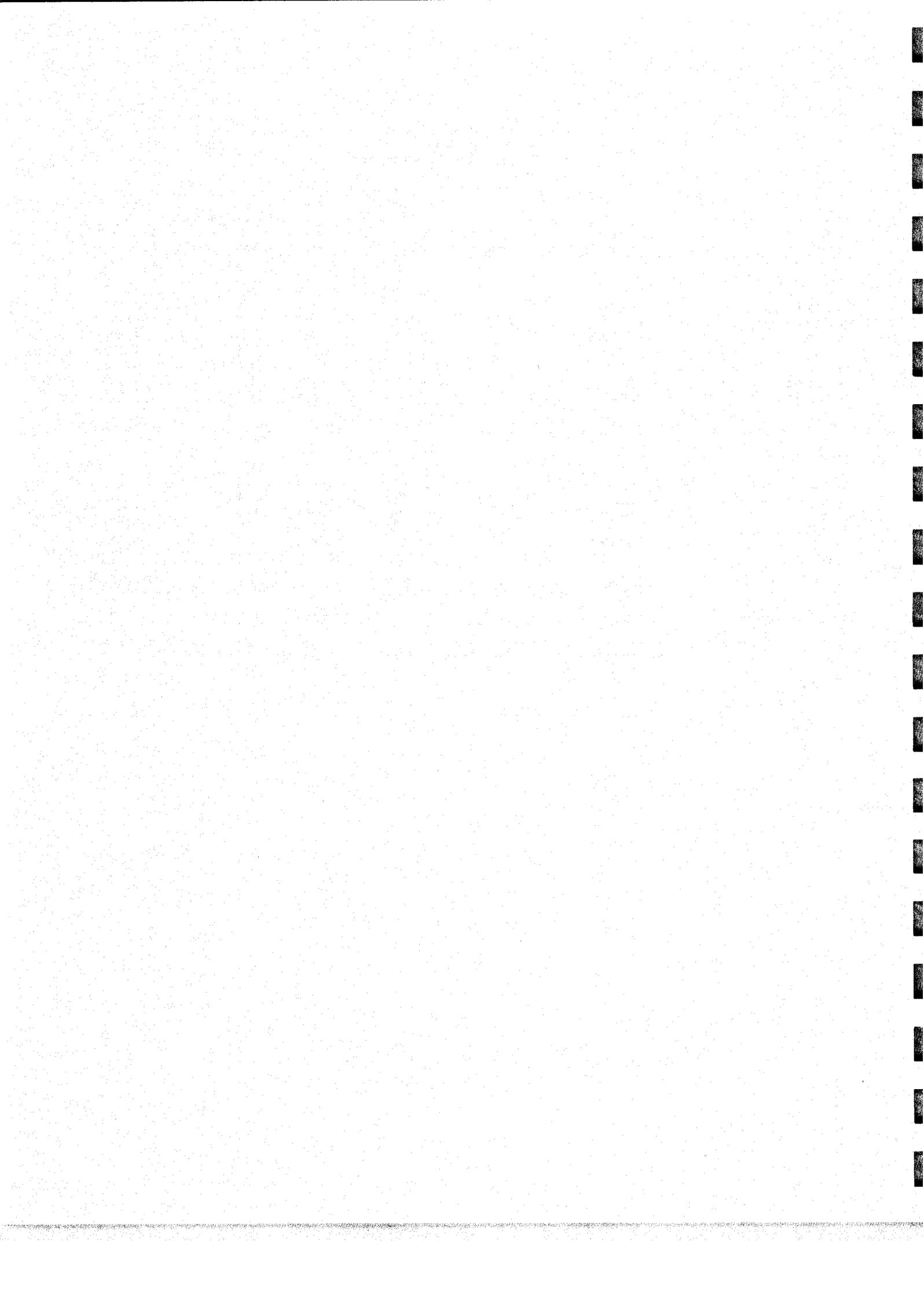
Page 3 of 3

Schedule of Operating Expenses - Budget and Actual  
 For the fiscal year ended September 30, 2009  
 (With comparative actual totals for September 30, 2008)

	2009			2008 Actual
	Budget	Actual	Variance Favorable (Unfavorable)	
<b>Water and Sewer Fund - continued</b>				
Operations				
Wastewater collections and treatment:				
Vehicle supplies and maintenance	\$ 3,800	\$ 4,072	\$ (272)	\$ 2,832
Uniforms	1,450	1,148	302	1,270
Paint and chemicals	1,350	1,851	(501)	1,220
Equipment repair	7,300	23,527	(16,227)	6,779
Sewer maintenance	12,500	4,630	7,870	7,450
Memberships and subscriptions	500	76	424	111
Sewer charge	474,826	506,529	(31,703)	678,556
Travel and training	2,100	1,577	523	1,624
Power and light	1,400	1,901	(501)	2,096
Natural gas	900	576	324	646
Telephone	900	956	(56)	767
Insurance	11,073	10,957	116	10,357
Sewer system improvements	2,527	(34,094)	36,621	2,527
Total wastewater collection and treatment	<u>871,244</u>	<u>849,822</u>	<u>21,422</u>	<u>1,037,768</u>
Total operations	<u>1,916,763</u>	<u>2,043,106</u>	<u>(126,343)</u>	<u>2,014,090</u>
Total operating expenses before depreciation	<u>\$ 2,697,033</u>	<u>\$ 2,865,189</u>	<u>\$ (168,156)</u>	<u>\$ 2,833,896</u>
<b>Drainage Utility Fund</b>				
Operations:				
Salaries and wages	\$ 53,980	\$ 54,640	\$ (660)	\$ 62,566
Payroll tax	4,098	4,257	(159)	4,502
Retirement	6,821	8,257	(1,436)	8,159
Employee insurance	10,309	10,309	-	8,907
Engineering/Consulting fees	-	-	-	-
Physicals	200	-	200	-
Supplies	700	1,111	(411)	902
Gasoline and oil	6,250	4,736	1,514	9,780
Uniforms	1,500	1,043	457	975
Vehicle maintenance	4,250	1,212	3,038	1,489
Operating equipment and maintenance	4,200	2,670	1,530	1,465
Street sweeping	6,600	-	6,600	1,840
Travel & training	-	-	-	34
Drainage system maintenance	-	-	-	-
Memberships	-	-	-	-
Drainage improvements	249,103	29,534	219,569	137,300
Total operating expenses before depreciation	<u>\$ 348,011</u>	<u>\$ 117,769</u>	<u>\$ 230,242</u>	<u>\$ 237,919</u>

CITY OF RICHLAND HILLS, TEXAS  
Enterprise Funds  
Schedule of Changes in Property and Equipment  
and Accumulated Depreciation  
For the year ended September 30, 2009

Account	Balance 10/01/08	Additions	Deletions	Balance 09/30/09	Accumulated Depreciation			
					Balance 10/01/08	Current Provision	Deletions	Balance 09/30/09
<b>Waterworks and Sewer System:</b>								
Wells	283,437			283,437	272,779	992		273,771
Pumping equipment	353,580			353,580	305,658	8,909		314,567
Storage reservoirs	1,357,441	142,911		1,500,352	463,425	29,476		492,901
Distribution mains	3,883,649			3,883,649	1,637,654	75,740		1,713,394
Service lines	1,138,607			1,138,607	270,999	26,881		297,880
Meters	581,801			581,801	36,363	29,090		65,453
Sewer mains	6,964,391			6,964,391	1,534,410	161,419		1,695,829
Other equipment	416,381	66,805		483,186	149,678	16,853		166,531
<b>Total</b>	<b>14,979,287</b>	<b>209,716</b>	<b>-</b>	<b>15,189,003</b>	<b>4,670,966</b>	<b>349,360</b>		<b>5,020,326</b>
<b>Other Assets:</b>								
Land	207,267			207,267				
Construction in progress	54,023	630,024		684,047				
Property improvements	27,692			27,692	11,785	1,109		12,894
Buildings	193,430			193,430	174,998	3,985		178,983
Furniture and fixtures	136,325			136,325	135,104	549		135,653
Autos and trucks	375,544		25,885	349,659	348,968	9,953	25,885	333,036
Equipment	472,703	87,066	5,593	554,176	304,011	63,650	5,593	362,068
<b>Total</b>	<b>1,466,984</b>	<b>717,090</b>	<b>31,478</b>	<b>2,152,596</b>	<b>974,866</b>	<b>79,246</b>	<b>31,478</b>	<b>1,022,634</b>
<b>Drainage Improvements</b>	<b>160,088</b>			<b>160,088</b>	<b>8,188</b>	<b>4,002</b>		<b>12,190</b>
<b>Grand Total</b>	<b>16,606,359</b>	<b>926,806</b>	<b>31,478</b>	<b>17,501,687</b>	<b>5,654,020</b>	<b>432,608</b>	<b>31,478</b>	<b>6,055,150</b>



**STATISTICAL DATA**  
**(Unaudited)**

**CITY OF RICHLAND HILLS  
STATISTICAL SECTION**

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**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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CITY OF RICHLAND HILLS, TEXAS  
NET ASSETS BY COMPONENT  
LAST SIX FISCAL YEARS (UNAUDITED)

TABLE 1

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 9,780,325	\$ 10,116,134	\$ 9,609,930	\$ 8,973,364	\$ 8,565,082	\$ 8,108,808
Restricted	57,000	58,177	56,693	384,137	412,810	439,715
Unrestricted	<u>4,947,499</u>	<u>4,364,948</u>	<u>4,303,817</u>	<u>4,765,358</u>	<u>4,888,559</u>	<u>5,273,882</u>
Total governmental activities net assets	\$ 14,784,824	\$ 14,539,259	\$ 13,970,440	\$ 14,122,859	\$ 13,866,231	\$ 13,822,385
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 4,943,841	\$ 5,382,901	\$ 5,599,182	\$ 5,705,248	\$ 5,945,512	\$ 8,093,323
Restricted	791,428	871,988	955,912	1,026,423	1,011,985	1,039,337
Unrestricted	<u>1,418,343</u>	<u>1,113,198</u>	<u>1,092,985</u>	<u>413,272</u>	<u>(212,675)</u>	<u>18,269</u>
Total business-type activities net assets	\$ 7,153,610	\$ 7,368,087	\$ 7,648,079	\$ 7,144,943	\$ 6,744,822	\$ 7,150,929
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 14,704,166	\$ 15,499,035	\$ 15,209,112	\$ 14,678,612	\$ 14,510,574	\$ 14,202,131
Restricted	848,428	930,165	1,012,605	1,410,560	1,424,595	1,479,052
Unrestricted	<u>6,365,842</u>	<u>5,478,146</u>	<u>5,396,802</u>	<u>5,178,630</u>	<u>4,675,884</u>	<u>5,292,131</u>
Total primary government net assets	\$ 21,918,434	\$ 21,907,348	\$ 21,818,519	\$ 21,267,802	\$ 20,611,053	\$ 20,973,314

Source: Comprehensive Annual Reports

Note: The City of Richland Hills applied GASB Statement 34 in fiscal year ended 09/30/2004; government-wide financial information for years prior is not available.

CITY OF RICHLAND HILLS, TEXAS  
 CHANGES IN NET ASSETS  
 LAST SIX FISCAL YEARS (UNAUDITED)

TABLE 2

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government	\$ 370,519	\$ 457,179	\$ 442,659	\$ 431,748	\$ 381,991	\$ 396,736
Legislative	34,581	41,989	45,591	48,763	83,153	86,980
Municipal Court	216,649	213,583	230,039	241,636	250,376	198,524
Police	1,639,960	1,701,888	1,887,635	2,215,397	2,161,108	2,349,015
Traffic Safety	-	-	-	82,542	252,067	195,148
Fire and Ambulance	1,146,947	1,162,771	1,296,394	1,336,704	1,535,701	1,616,348
Code Enforcement	155,963	146,009	151,769	139,063	148,014	161,847
Animal Control	94,059	98,481	107,736	115,052	117,869	119,362
Keep Richland Hills Beautiful	13,459	12,539	9,340	20,078	9,084	11,462
Street and Highways	1,156,453	1,126,504	1,147,289	1,203,362	1,277,037	1,445,582
Library	279,752	292,394	295,554	302,913	329,331	317,101
Community Center	37,044	37,745	41,784	40,799	44,442	43,719
Parks and Beautification	23,299	51,542	39,120	40,783	43,290	46,457
Economic Development	138,008	32,934	18,951	39,532	30,266	80,451
Interest on long-term Debt	74,690	75,836	83,135	92,682	91,450	62,847
<b>Total governmental activities expenses</b>	<b>5,381,363</b>	<b>5,453,394</b>	<b>5,796,996</b>	<b>6,351,054</b>	<b>6,755,179</b>	<b>7,151,379</b>
<b>Business-type activities</b>						
Water production and distribution	1,447,106	1,490,135	1,656,734	1,612,901	1,702,949	1,903,276
Sewer Collection and Treatment	1,388,025	1,499,796	1,483,175	1,859,482	1,816,206	1,661,146
Drainage Utility	100,884	96,559	88,518	118,124	250,726	134,218
<b>Total business-type activities expenses</b>	<b>2,936,015</b>	<b>3,086,490</b>	<b>3,228,427</b>	<b>3,590,487</b>	<b>3,769,881</b>	<b>3,698,640</b>
<b>Total primary government expenses</b>	<b>\$ 8,317,378</b>	<b>\$ 8,539,884</b>	<b>\$ 9,025,423</b>	<b>\$ 9,941,541</b>	<b>\$ 10,525,060</b>	<b>\$ 10,850,019</b>
<b>Program Revenues</b>						
<b>Governmental activities</b>						
<b>Charges for services</b>						
Police	\$ 552,239	\$ 428,218	\$ 373,678	\$ 631,450	\$ 317,845	\$ 371,968
Traffic Safety	-	-	-	383,646	271,756	168,079
Fire and ambulance	256,158	345,275	221,451	256,554	214,911	232,783
Code enforcement	93,345	89,062	109,134	135,319	136,745	69,107
Other	155,568	207,941	205,296	131,020	121,133	105,459
Operating grants and contributions	165,002	107,719	183,081	152,616	179,182	164,926
Capital grants and contributions	130,963	150,505	61,929	130,204	97,423	352,102
<b>Total governmental activities program revenues</b>	<b>1,353,275</b>	<b>1,328,720</b>	<b>1,154,569</b>	<b>1,820,809</b>	<b>1,336,995</b>	<b>1,464,424</b>
<b>Business-type activities:</b>						
<b>Charges for services</b>						
Water production and distribution	1,505,446	1,697,291	1,883,806	1,488,504	1,762,246	1,845,061
Sewer Collection and treatment	1,187,858	1,205,589	1,204,627	1,223,835	1,371,181	1,322,066
Drainage utility	151,488	154,060	152,743	155,034	177,406	662,405
Capital grants and contributions	-	126,000	134,492	-	-	-
<b>Total business-type activities program revenues</b>	<b>2,844,792</b>	<b>3,182,940</b>	<b>3,375,470</b>	<b>2,867,373</b>	<b>3,310,833</b>	<b>3,829,532</b>
<b>Total primary government program revenues</b>	<b>\$ 4,198,067</b>	<b>\$ 4,511,660</b>	<b>\$ 4,530,039</b>	<b>\$ 4,688,182</b>	<b>\$ 4,649,828</b>	<b>\$ 5,293,956</b>
<b>Net (Expense)Revenue</b>						
Governmental activities	\$ (4,028,088)	\$ (4,124,674)	\$ (4,642,427)	\$ (4,530,245)	\$ (5,416,184)	\$ (5,686,955)
Business-type activities:	\$ (91,223)	\$ 96,450	\$ 147,043	\$ (723,114)	\$ (459,048)	\$ 130,892
<b>Total primary government net expense</b>	<b>\$ (4,119,311)</b>	<b>\$ (4,028,224)</b>	<b>\$ (4,495,384)</b>	<b>\$ (5,253,359)</b>	<b>\$ (5,875,232)</b>	<b>\$ (5,556,063)</b>

General Revenues and Other Changes in Net Assets

Governmental activities

Taxes

Property taxes	\$ 1,651,585	\$ 1,706,980	\$ 1,772,300	\$ 1,858,628	\$ 1,927,273	\$ 2,083,969
Sales taxes	1,380,471	1,456,326	1,601,495	2,067,016	2,457,930	2,262,356
Franchise taxes	652,268	436,661	598,861	552,072	543,654	562,590
Hotel Occupancy Taxes	-	-	-	-	-	52,079
Investment earnings	41,932	76,521	136,546	159,705	64,126	9,476
Miscellaneous	-	288,683	-	61,441	166,573	938,837
Transfers	-	(66,062)	(35,594)	(16,198)	-	(266,198)
<b>Total governmental activities</b>	<b>3,726,256</b>	<b>3,899,109</b>	<b>4,073,608</b>	<b>4,662,664</b>	<b>5,159,556</b>	<b>5,643,109</b>

Business-type activities:

Investment earnings	27,137	51,965	97,355	203,780	58,927	9,017
Transfers	-	66,062	35,594	16,198	-	266,198
<b>Total business-type activities</b>	<b>27,137</b>	<b>118,027</b>	<b>132,949</b>	<b>219,978</b>	<b>58,927</b>	<b>275,215</b>

Total primary government

	<b>\$ 3,753,393</b>	<b>\$ 4,017,136</b>	<b>\$ 4,206,557</b>	<b>\$ 4,902,642</b>	<b>\$ 5,218,483</b>	<b>\$ 5,918,324</b>
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Change in Net Assets

Governmental activities	\$ (301,632)	\$ (225,565)	\$ (568,819)	\$ 152,419	\$ (256,628)	\$ (43,846)
Business-type activities	\$ (64,086)	\$ 214,477	\$ 279,992	\$ (503,136)	\$ (400,121)	\$ 406,107
<b>Total primary government</b>	<b>\$ (365,918)</b>	<b>\$ (11,088)</b>	<b>\$ (288,827)</b>	<b>\$ (350,717)</b>	<b>\$ (656,749)</b>	<b>\$ 362,261</b>

Note: The City of Richland Hills applied GASB Statement 34 in fiscal year ended 09/30/2004; government-wide financial information for years prior is not available.

CITY OF RICHLAND HILLS, TEXAS  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS (UNAUDITED)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>General Fund</b>				
Reserved	\$ 85,115	\$ 31,438	\$ 73,927	\$ 99,187
Unreserved	<u>\$ 2,918,459</u>	<u>\$ 3,189,636</u>	<u>\$ 2,825,718</u>	<u>\$ 2,356,934</u>
<b>Total General Fund</b>	<u><u>\$ 3,003,574</u></u>	<u><u>\$ 3,221,074</u></u>	<u><u>\$ 2,899,645</u></u>	<u><u>\$ 2,456,121</u></u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 11,867	\$ 21,754	\$ 37,111	\$ 44,807
Unreserved, reported in				
Special Revenue funds	\$ 1,792,742	\$ 1,690,581	\$ 1,931,730	\$ 1,837,296
Capital Projects funds	<u>\$ 96,385</u>	<u>\$ 1,163,297</u>	<u>\$ 791,091</u>	<u>\$ 146,531</u>
<b>Total all other governmental funds</b>	<u><u>\$ 1,900,994</u></u>	<u><u>\$ 2,875,632</u></u>	<u><u>\$ 2,759,932</u></u>	<u><u>\$ 2,028,634</u></u>

TABLE 3

FISCAL YEAR					
2004	2005	2006	2007	2008	2009
\$ 64,074	\$ 65,997	\$ 70,206	\$ 88,573	\$ 94,104	\$ 83,381
\$ 2,385,941	\$ 2,343,951	\$ 2,511,373	\$ 2,753,628	\$ 2,789,037	\$ 2,483,768
<u>\$ 2,450,015</u>	<u>\$ 2,409,948</u>	<u>\$ 2,581,579</u>	<u>\$ 2,842,201</u>	<u>\$ 2,883,141</u>	<u>\$ 2,567,149</u>
\$ 54,928	\$ 50,235	\$ 49,069	\$ 376,513	\$ 403,585	\$ 408,406
\$ 1,591,364	\$ 628,864	\$ 721,920	\$ 815,053	\$ 1,041,506	\$ 1,002,259
\$ 132,004	\$ 543,732	\$ 306,243	\$ 780,342	\$ 209,354	\$ 1,033,429
<u>\$ 1,778,296</u>	<u>\$ 1,222,831</u>	<u>\$ 1,077,232</u>	<u>\$ 1,971,908</u>	<u>\$ 1,654,445</u>	<u>\$ 2,444,094</u>

CITY OF RICHLAND HILLS, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS (UNAUDITED)

	FISCAL YEAR				
	2000	2001	2002	2003	2004
<b>Revenues</b>					
Taxes	\$ 4,400,047	\$ 3,815,236	\$ 3,706,679	\$ 3,671,817	\$ 3,695,904
Fines and penalties	328,607	317,953	340,753	457,871	628,542
Licenses, fees and permits	49,114	79,942	70,216	67,451	93,345
Charges for services	143,578	148,026	159,498	128,366	157,989
Intergovernmental	243,282	739,109	477,463	289,046	295,965
Investment earnings	226,699	236,491	109,581	58,816	41,932
Other Revenues	258,220	69,760	60,540	72,626	64,393
<b>Total Revenues</b>	<b>5,649,547</b>	<b>5,406,517</b>	<b>4,924,730</b>	<b>4,745,993</b>	<b>4,978,070</b>
<b>Expenditures</b>					
General government	209,869	178,655	324,296	354,734	321,629
Legislative	27,806	30,533	33,893	33,047	34,561
Municipal Court	150,128	149,250	157,115	179,096	215,512
Police	1,247,442	1,248,441	1,397,993	1,416,720	1,579,582
Traffic Safety	-	-	-	-	-
Tourism	-	-	-	-	-
Fire and Ambulance	890,843	945,945	1,079,156	1,003,218	1,097,387
Code Enforcement	135,370	146,310	139,890	132,328	155,963
Animal Control	51,184	60,534	71,436	82,548	85,136
Keep Richland Hills Beautiful	5,176	3,394	7,311	7,507	13,459
Street and Highways	1,180,924	1,118,614	509,259	771,691	688,937
Library	209,956	222,163	283,445	252,289	254,129
Community Center	75,804	37,936	38,337	30,951	32,707
Parks and Beautification	2,684	80,055	14,006	13,669	72,567
Economic Development	95,773	57,697	30,834	1,333	138,008
Capital Outlay	361,031	927,539	1,245,654	1,055,859	269,334
Debt Service					
Debt Issuance Cost		35,000			
Interest	30,294	30,425	130,910	100,380	75,603
Principal	132,815	149,348	165,534	373,664	200,000
<b>Total expenditures</b>	<b>4,807,099</b>	<b>5,421,839</b>	<b>5,629,069</b>	<b>5,809,034</b>	<b>5,234,514</b>
<b>Excess of revenue over (under) expenditures</b>	<b>842,448</b>	<b>(15,322)</b>	<b>(704,339)</b>	<b>(1,063,041)</b>	<b>(256,444)</b>
<b>Other Financing Sources(Uses)</b>					
Proceeds from sale of general capital assets	5,547	864	13,898	8,805	
Proceeds from issuance of bonds		1,325,000	350,000		
Operating transfers in	119,848	122,905	388,908	617,143	179,153
Operating transfers out	(412,425)	(241,309)	(485,596)	(737,729)	(179,153)
<b>Total Other Financing Sources (uses)</b>	<b>(287,030)</b>	<b>1,207,460</b>	<b>267,210</b>	<b>(111,781)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 555,418</b>	<b>\$ 1,192,138</b>	<b>\$ (437,129)</b>	<b>\$ (1,174,822)</b>	<b>\$ (256,444)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>3.67%</b>	<b>4.00%</b>	<b>6.76%</b>	<b>9.97%</b>	<b>5.55%</b>

TABLE 4

FISCAL YEAR					
2005	2006	2007	2008	2009	
\$ 3,607,405	\$ 3,963,676	\$ 4,420,262	\$ 4,942,857	\$ 4,945,924	
601,459	407,187	1,015,339	722,672	614,228	
89,062	109,134	135,319	136,745	69,108	
270,299	285,603	249,631	237,077	237,184	
258,224	182,962	168,050	166,444	426,644	
76,521	136,546	159,705	64,126	9,476	
378,990	73,952	105,921	231,634	984,144	
<u>5,281,960</u>	<u>5,159,060</u>	<u>6,254,227</u>	<u>6,501,555</u>	<u>7,286,708</u>	
421,849	535,853	339,869	338,417	358,134	
41,380	43,602	43,065	59,471	63,333	
206,327	223,588	250,425	242,309	218,224	
1,669,523	1,720,438	2,071,102	2,037,685	2,147,268	
-	-	82,542	269,597	195,148	
-	-	-	-	30,339	
1,127,360	1,218,710	1,252,326	1,444,786	1,431,749	
146,009	150,547	139,221	147,498	166,063	
87,101	94,565	103,099	104,729	103,605	
12,539	9,340	20,078	9,084	11,462	
1,428,254	326,348	349,109	493,330	656,433	
262,553	276,603	284,706	308,140	293,622	
33,094	34,747	32,374	36,338	34,607	
58,976	40,649	9,311	11,818	16,005	
32,890	24,465	39,532	30,266	77,805	
396,212	707,548	321,570	954,855	472,993	
11,401	12,069	13,500	-	-	
66,662	78,471	83,867	99,393	79,663	
210,000	200,000	191,000	223,000	242,000	
<u>6,212,130</u>	<u>5,697,543</u>	<u>5,626,696</u>	<u>6,810,716</u>	<u>6,598,453</u>	
(930,170)	(538,483)	627,531	(309,161)	688,255	
700	25,546	8,955	32,648	51,600	
400,000	415,000	535,000	-	-	
181,130	122,863	259,808	244,780	260,887	
(247,192)	(158,457)	(276,006)	(244,780)	(527,085)	
<u>334,638</u>	<u>404,952</u>	<u>527,757</u>	<u>32,648</u>	<u>(214,598)</u>	
<u>\$ (595,532)</u>	<u>\$ (133,531)</u>	<u>\$ 1,155,288</u>	<u>\$ (276,513)</u>	<u>\$ 473,657</u>	
4.76%	5.58%	5.18%	5.77%	5.40%	

## CITY OF RICHLAND HILLS, TEXAS

TABLE 5

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property Tax	Sales Tax	Beverage Tax	Franchise Tax	Hotel Occupancy Tax	Total
1999-00	\$ 1,286,994	\$ 2,568,391	\$ 2,174	\$ 542,487	\$ -	\$ 4,400,047
2000-01	\$ 1,405,592	\$ 1,842,879	\$ 1,557	\$ 565,208	\$ -	\$ 3,815,236
2001-02	\$ 1,505,219	\$ 1,578,938	\$ 1,907	\$ 620,615	\$ -	\$ 3,706,679
2002-03	\$ 1,579,915	\$ 1,510,424	\$ 1,830	\$ 579,648	\$ -	\$ 3,671,817
2003-04	\$ 1,646,132	\$ 1,438,350	\$ 2,216	\$ 609,206	\$ -	\$ 3,695,904
2004-05	\$ 1,704,550	\$ 1,410,246	\$ 1,902	\$ 490,707	\$ -	\$ 3,607,405
2005-06	\$ 1,775,844	\$ 1,611,844	\$ 1,746	\$ 574,242	\$ -	\$ 3,963,676
2006-07	\$ 1,861,429	\$ 1,997,967	\$ 2,102	\$ 558,764	\$ -	\$ 4,420,262
2007-08	\$ 1,918,082	\$ 2,470,907	\$ 2,140	\$ 551,728	\$ -	\$ 4,942,857
2008-09	\$ 2,079,168	\$ 2,252,568	\$ 1,955	\$ 560,154	\$ 52,079	\$ 4,945,924

CITY OF RICHLAND HILLS, TEXAS  
 APPRAISED AND TAXABLE VALUE PROPERTY (1)  
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 6

Fiscal Year	Appraised Residential Property	Appraised Commercial Property	Appraised Industrial Property	Appraised Other Property	Personal Property	Less: Tax-Exempt Property	Net Taxable Value	Total Direct Tax Rate
1999-00	\$ 169,549,798	\$ 59,431,124	\$ 6,994,233	\$ 3,084,910	\$ 88,064,767	\$ 16,694,392	\$ 310,430,440	\$ 0.417994
2000-01	\$ 186,970,057	\$ 85,395,362	\$ 8,448,579	\$ 3,226,223	\$ 90,201,450	\$ 18,033,923	\$ 336,207,748	\$ 0.417994
2001-02	\$ 200,136,951	\$ 70,805,838	\$ 10,362,209	\$ 3,393,872	\$ 88,976,987	\$ 16,577,000	\$ 357,098,857	\$ 0.417333
2002-03	\$ 212,954,732	\$ 72,288,710	\$ 10,362,209	\$ 4,668,596	\$ 88,393,600	\$ 16,568,803	\$ 372,099,044	\$ 0.417333
2003-04	\$ 232,221,028	\$ 71,893,437	\$ 10,370,809	\$ 4,362,798	\$ 84,216,038	\$ 16,367,789	\$ 386,696,319	\$ 0.428441
2004-05	\$ 238,701,345	\$ 74,988,130	\$ 10,289,818	\$ 3,687,521	\$ 75,910,560	\$ 18,398,666	\$ 387,178,708	\$ 0.436297
2005-06	\$ 257,185,035	\$ 79,703,585	\$ 11,691,714	\$ 3,273,159	\$ 78,292,805	\$ 23,779,179	\$ 406,367,119	\$ 0.435898
2006-07	\$ 267,292,330	\$ 76,414,116	\$ 9,490,948	\$ 3,081,828	\$ 86,568,380	\$ 24,127,523	\$ 418,718,079	\$ 0.442094
2007-08	\$ 263,989,606	\$ 84,778,256	\$ 9,904,412	\$ 578,752	\$ 87,309,399	\$ 22,812,614	\$ 423,747,811	\$ 0.450670
2008-09	\$ 277,842,821	\$ 88,909,432	\$ 10,479,108	\$ 272,405	\$ 95,675,055	\$ 25,027,659	\$ 448,151,162	\$ 0.459202

Source (1) Tarrant Appraisal District

CITY OF RICHLAND HILLS, TEXAS  
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
 PER \$100 ASSESSED VALUATION  
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 7

Fiscal Year	City of Richland Hills			Birdville Independent School District	Tarrant County	Hospital District	Junior College	Total Levy
	Operations	Debt Service	Total					
1999-00	\$0.375130	\$0.042864	\$0.417994	\$1.532500	\$0.264836	\$0.234070	\$0.057690	\$2.507090
2000-01	\$0.373837	\$0.044157	\$0.417994	\$1.569800	\$0.274785	\$0.234070	\$0.106410	\$2.603059
2001-02	\$0.379386	\$0.037947	\$0.417333	\$1.569800	\$0.274785	\$0.234070	\$0.106410	\$2.602398
2002-03	\$0.375221	\$0.042112	\$0.417333	\$1.617000	\$0.272500	\$0.232400	\$0.139380	\$2.678613
2003-04	\$0.388374	\$0.040067	\$0.428441	\$1.617000	\$0.292500	\$0.235400	\$0.139580	\$2.712921
2004-05	\$0.398093	\$0.038204	\$0.436297	\$1.617000	\$0.272500	\$0.235397	\$0.139380	\$2.700574
2005-06	\$0.398218	\$0.037680	\$0.435898	\$1.617000	\$0.272500	\$0.235397	\$0.139380	\$2.700175
2006-07	\$0.401180	\$0.040914	\$0.442094	\$1.565000	\$0.271500	\$0.235397	\$0.139380	\$2.653371
2007-08	\$0.398000	\$0.052670	\$0.450670	\$1.405000	\$0.264000	\$0.227897	\$0.139600	\$2.487167
2008-09	\$0.408773	\$0.050429	\$0.459202	\$1.410000	\$0.264000	\$0.227897	\$0.137960	\$2.499059

CITY OF RICHLAND HILLS, TEXAS  
TOP TEN TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

TABLE 8

Taxpayer	Nature of Business	2008 Taxable Assessed Valuation*	Rank	Percentage of Total Assessed Valuation (1)	1999 Taxable Assessed Valuation*	Rank	Percentage of Total Assessed Valuation (1)
First Industrial, LP	Real Estate/Commercial	\$ 16,300,317	1	3.6%	4,941,554	4	1.6%
Southwestern Bell	Utility	10,016,035	2	2.2%	\$ 13,564,931	1	4.4%
Regency Raintree	Apartments	5,938,300	3	1.3%	4,147,787	7	1.3%
TXU Electric Delivery Company	Utility	4,120,208	6	0.9%	3,326,699	8	1.3%
Stuart C Irby Company	Retailer	3,617,141	5	0.8%			
AHC Richland Hills	Apartments	3,246,814	9	0.7%			
Composites One LLC	Retailer	3,173,974	8	0.7%			
E L Baker Jr LTD	Real Estate/Commercial	3,036,650	4	0.7%			
Nuclear Logistics Inc.	Retailer	2,884,259	7	0.7%			
Rewal Corp II	Real Estate/Commercial	2,749,896	10	0.6%	4,612,977	6	1.5%
Olsten Health Resources	Health Care				2,972,716	9	1.0%
Wal-Mart Stores, Inc	Retailer				5,706,901	3	1.8%
Coast Distribution	Wholesaler				2,882,674	10	0.9%
Carlyle/Dr Investors, LLC	Real Estate/Commercial				7,641,616	2	2.4%
Cummins Utility	Distributor				\$ 4,894,075	5	1.6%
<b>Total assessed value of ten largest taxpayers</b>		<b>\$ 55,083,394</b>		<b>12.2%</b>	<b>\$ 54,691,930</b>		<b>17.6%</b>
<b>Total assessed value of other taxpayers</b>		<b>393,067,768</b>		<b>87.8%</b>	<b>255,738,510</b>		<b>82.4%</b>
<b>Total assessed value of all taxpayers</b>		<b>\$ 448,151,162</b>		<b>100.0%</b>	<b>310,430,440</b>		<b>100.0%</b>

Note: (1) Calculated based on net taxable value.

\* Source: Tarrant Appraisal District  
Taxpayers assessed on January 1, 2008 (2008 tax year for the 2008-09 fiscal year)

CITY OF RICHLAND HILLS, TEXAS  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 9

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes to Tax Levy</u>
1999-00	\$ 1,292,025	\$ 1,266,335	98.0%	\$ 8,729	\$ 1,275,064	98.7%	\$ 69,256	5.4%
2000-01	\$ 1,391,260	\$ 1,369,948	98.5%	\$ 18,294	\$ 1,388,242	99.8%	\$ 75,390	5.4%
2001-02	\$ 1,488,972	\$ 1,457,801	97.9%	\$ 22,151	\$ 1,479,952	99.4%	\$ 71,926	4.8%
2002-03	\$ 1,561,856	\$ 1,532,064	98.1%	\$ 27,069	\$ 1,559,133	99.8%	\$ 105,475	6.8%
2003-04	\$ 1,644,836	\$ 1,603,413	97.5%	\$ 23,543	\$ 1,626,957	98.9%	\$ 122,599	7.5%
2004-05	\$ 1,689,249	\$ 1,655,590	98.0%	\$ 27,702	\$ 1,683,292	99.6%	\$ 126,072	7.5%
2005-06	\$ 1,751,452	\$ 1,723,421	98.4%	\$ 26,851	\$ 1,750,272	99.9%	\$ 121,009	6.9%
2006-07	\$ 1,844,254	\$ 1,819,972	98.7%	\$ 19,966	\$ 1,839,938	99.8%	\$ 116,610	6.3%
2007-08	\$ 1,910,234	\$ 1,879,312	98.4%	\$ 17,681	\$ 1,896,993	99.3%	\$ 129,927	6.8%
2008-09	\$ 2,064,779	\$ 2,030,068	98.3%	\$ 22,357	\$ 2,052,425	99.4%	\$ 136,798	6.6%

CITY OF RICHLAND HILLS, TEXAS  
TAXABLE SALES BY CATEGORY  
LAST SEVEN CALENDAR YEARS (UNAUDITED)

TABLE 10

	Calendar Year						
	2002	2003	2004	2005	2006	2007	2008
Construction	\$ 3,549,586	\$ 20,021,534	\$ 22,892,652	\$ 17,936,621	\$ 20,794,398	\$ 18,374,108	\$ 24,211,008
Manufacturing	6,612,753	4,423,652	7,812,855	11,187,900	10,257,696	7,914,159	6,347,714
Wholesale Trade	15,105,514	21,497,139	19,761,013	29,854,627	38,193,847	41,068,220	50,674,366
Retail Trade	15,305,478	13,340,753	11,954,491	11,342,161	10,063,701	8,900,641	8,853,052
Transportation/Warehousing	4,095	2,377	8,706	12,083	7,008	3,389	-
Information	1,430,793	1,619,087	790,851	2,118,919	513,669	67,028	1,085,520
Real Estate/Rental/Leasing	-	-	-	10,319	9,732	11,003	40,147
Professional/Scientific/Technical Services	4,231,931	2,667,761	2,346,570	2,891,198	3,963,816	4,413,397	3,306,050
Administrative/Waste Management/ Remediation Services	17,968,990	41,394,904	36,258,379	24,200,832	5,720,616	44,681,341	41,635,997
Educational Services	2,178	-	83	5,085	282	459	-
Health Care/Social Assistance	-	-	-	-	1,761	72,425	85,876
Arts/Entertainment/Recreation	18,664	85,447	-	-	23,821	32,869	9,816
Accommodation/Food Services	6,247,519	6,162,115	5,881,429	5,476,129	5,520,323	5,855,259	5,918,261
Other Services	4,407,324	4,003,424	3,913,483	3,855,000	3,046,218	3,670,592	5,796,816
Other	82,100	75,154	138,434	-	-	-	-
<b>Total</b>	<b>\$ 74,966,925</b>	<b>\$ 115,293,347</b>	<b>\$ 111,758,946</b>	<b>\$ 108,890,854</b>	<b>\$ 98,116,886</b>	<b>\$ 135,064,890</b>	<b>\$ 147,964,623</b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Texas Comptroller of Public Accounts  
Information unavailable for years prior to 2002

CITY OF RICHLAND HILLS, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS (UNAUDITED)

Governmental Activities					
Fiscal Year	General Obligation	Combination Tax & Revenue Certificates of Obligation	Public Property Finance Contractual Obligations	Tax Notes	Lease/Purchases
2000	\$ 295,000	-	75,000	-	223,526
2001	\$ 240,000	1,325,000	-	-	204,178
2002	\$ 185,000	1,285,000	300,000	-	183,644
2003	\$ 125,000	1,225,000	230,000	-	-
2004	\$ 65,000	1,160,000	155,000	-	-
2005	\$ -	1,090,000	80,000	400,000	-
2006	\$ -	1,015,000	-	770,000	-
2007	\$ -	935,000	535,000	659,000	-
2008	\$ -	855,000	515,000	536,000	-
2009	\$ -	770,000	485,000	409,000	-

TABLE 11

Business-type Activities								Per Capita Debt as Percent of Per Capita Income
Revenue Bonds	Combination Tax & Revenue Certificates of Obligation	Lease/ Purchases	Total Government-wide Indebtedness	Estimated Population	Total Debt per Capita	Per Capita Income		
\$ 280,000	3,755,000	-	\$ 4,628,526	n/a	\$ n/a	n/a		n/a
\$ 125,000	3,620,000	-	\$ 5,514,178	n/a	\$ n/a	n/a		n/a
\$ 2,000,000	3,480,000	-	\$ 7,433,644	n/a	\$ n/a	n/a		n/a
\$ 1,975,000	3,335,000	-	\$ 6,890,000	n/a	\$ n/a	n/a		n/a
\$ 1,910,000	3,180,000	-	\$ 6,470,000	8,300	\$ 779.52	20,247		3.85%
\$ 1,840,000	3,020,000	-	\$ 6,430,000	8,300	\$ 774.70	20,247		3.83%
\$ 1,765,000	2,850,000	-	\$ 6,400,000	8,300	\$ 771.08	20,247		3.81%
\$ 1,690,000	4,780,000	423,513	\$ 9,022,513	8,300	\$ 1,087.05	20,247		5.37%
\$ 1,610,000	4,515,000	384,306	\$ 8,415,306	8,350	\$ 1,007.82	20,247		4.98%
\$ 1,525,000	4,245,000	343,336	\$ 7,777,336	8,350	\$ 931.42	20,247		4.60%

CITY OF RICHLAND HILLS, TEXAS  
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND  
 NET GENERAL BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 12

Fiscal Year	Estimated Population **	Assessed Value *(1)	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1999-00	8,500	310,430,440	370,000	11,867	358,133	0.12%	42.13
2000-01	8,500	336,207,748	240,000	21,754	218,246	0.06%	25.68
2001-02	8,500	\$ 357,098,857	\$ 485,000	\$ 37,111	\$ 447,889	0.13%	52.69
2002-03	8,132	\$ 372,099,044	\$ 355,000	\$ 44,807	\$ 310,193	0.08%	38.14
2003-04	8,132	\$ 386,696,319	\$ 220,000	\$ 48,976	\$ 171,024	0.04%	21.03
2004-05	8,300	\$ 387,178,708	\$ 480,000	\$ 50,235	\$ 429,765	0.11%	51.78
2005-06	8,300	\$ 406,367,119	\$ 770,000	\$ 49,069	\$ 720,931	0.18%	86.86
2006-07	8,300	\$ 418,718,079	\$ 1,194,000	\$ 75,409	\$ 1,118,591	0.27%	134.77
2007-08	8,300	\$ 423,747,811	\$ 1,051,000	\$ 100,322	\$ 950,678	0.22%	114.54
2008-09	8,300	\$ 448,151,162	\$ 894,000	\$ 132,211	\$ 761,789	0.17%	91.78

\*Source: Tarrant Appraisal District

\*\*Source: North Central Texas Council of Governments

Note: (1) Excludes revenue bonds

CITY OF RICHLAND HILLS, TEXAS  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT  
 TO GENERAL EXPENDITURES  
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 13

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fees</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1999-00	110,000	30,294	140,294	4,446,068	3.16%
2000-01	149,348	30,425	179,773	5,421,839	3.32%
2001-02	\$ 165,534	\$ 117,760	\$ 283,294	\$ 5,629,069	5.03%
2002-03	\$ 373,664	\$ 100,380	\$ 474,044	\$ 5,672,587	8.36%
2003-04	\$ 200,000	\$ 75,603	\$ 275,603	\$ 5,234,514	5.27%
2004-05	\$ 210,000	\$ 66,662	\$ 276,662	\$ 6,212,130	4.45%
2005-06	\$ 200,000	\$ 78,471	\$ 278,471	\$ 5,697,543	4.89%
2006-07	\$ 191,000	\$ 83,867	\$ 274,867	\$ 5,626,696	4.89%
2007-08	\$ 223,000	\$ 99,393	\$ 322,393	\$ 6,810,716	4.73%
2008-09	\$ 242,000	\$ 79,663	\$ 321,663	\$ 6,598,453	4.87%

Notes: (1) Includes general, special revenue, debt service, and capital projects funds

CITY OF RICHLAND HILLS, TEXAS  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 SEPTEMBER 30, 2009 (UNAUDITED)

TABLE 14

<u>Name of Government</u>	<u>General Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Richland Hills</u>	<u>Amount Applicable to City of Richland Hills</u>
City of Richland Hills	\$ 894,000	100.00%	\$ 894,000
Birdville Independent School District	312,319,827	7.40%	23,111,667
Tarrant County Junior College	39,402,779	0.66%	260,058
Tarrant County Hospital District	66,490,000	0.66%	438,834
Tarrant County	<u>\$ 322,210,000</u>	<u>0.66%</u>	<u>\$ 2,126,586</u>
Total direct and overlapping debt			<u><u>\$ 26,831,146</u></u>
Total overlapping debt			<u><u>\$ 25,937,146</u></u>

CITY OF RICHLAND HILLS, TEXAS  
 SCHEDULE OF REVENUE BOND COVERAGE  
 LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 15

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999-00	\$ 3,292,341	\$ 2,111,400	\$ 1,180,941	\$ 265,000	\$ 151,415	\$ 416,415	2.84
2000-01	\$ 3,059,917	\$ 2,344,708	\$ 715,209	\$ 290,000	\$ 142,406	\$ 432,406	1.65
2001-02	\$ 2,908,087	\$ 2,406,832	\$ 501,255	\$ 265,000	\$ 131,971	\$ 396,971	1.26
2002-03	\$ 2,927,497	\$ 2,393,652	\$ 533,845	\$ 170,000	\$ 272,333	\$ 442,333	1.21
2003-04	\$ 2,871,929	\$ 2,458,949	\$ 412,980	\$ 220,000	\$ 222,484	\$ 442,484	0.93
2004-05	\$ 3,108,905	\$ 2,616,366	\$ 492,539	\$ 230,000	\$ 213,775	\$ 443,775	1.11
2005-06	\$ 3,343,333	\$ 2,660,354	\$ 682,979	\$ 245,000	\$ 204,527	\$ 449,527	1.52
2006-07	\$ 2,944,485	\$ 2,889,517	\$ 54,968	\$ 309,678	\$ 225,955	\$ 535,633	0.10
2007-08	\$ 3,184,647	\$ 2,833,896	\$ 350,751	\$ 384,207	\$ 284,618	\$ 668,825	0.52
2008-09	\$ 3,175,817	\$ 2,865,189	\$ 310,628	\$ 395,971	\$ 269,079	\$ 665,050	0.47

Notes: (1) Includes operating revenue, interest on investments, loss on sale and/or gain on disposal of property, plant, and equipment

(2) Excludes depreciation

**CITY OF RICHLAND HILLS, TEXAS**  
**Computation of Legal Debt Margin**  
**September 30, 2009 (Unaudited)**

Article XI, Section 5 of the State of Texas Constitution states in part:

"...no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

As a home rule city, the City of Richland Hills is not limited by the law in the amount of debt it may issue. The City's charter provides that general property taxes are limited to \$1.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation bonds.

The tax rate for fiscal year 2009 was established at \$.459202 per \$100 of assessed valuation based on 100% of appraised value.

**CITY OF RICHLAND HILLS, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST FIVE FISCAL YEARS (UNAUDITED)**

**Table 17**

<u>Year</u>	<u>Estimated Population</u>	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2004	8132	\$ 43,377	\$ 20,247	22449	3.8%
2005	8300	\$ 43,377	\$ 20,247	22297	4.5%
2006	8300	\$ 43,377	\$ 20,247	22482	4.2%
2007	8300	\$ 43,377	\$ 20,247	22488	3.8%
2008	8350	\$ 43,377	\$ 20,247	21926	5.8%
2009	8350	\$ 43,377	\$ 20,247	22505	8.0%

Sources: 2000 Census, North Central Texas Council of Governments,  
 Texas Workforce Commission, Birdville ISD.

Information unavailable for years prior to 2004

CITY OF RICHLAND HILLS, TEXAS  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

TABLE 18

Name of Company	Nature of Business	2009 Number of Employees	Rank	2009 Percentage of total City Employment	2000 Number of Employees	Rank	2000 Percentage of total City Employment
Birdville ISD (3 Schools)	Independent School District	152	1	3.0%	150	2	1.9%
Harris Packaging	Corrugated Boxes	135	2	2.6%			
Nuclear Logistics	Chemical Engineering Services	100	3	2.0%			
City of Richland Hills	Municipality	88	4	1.7%	85	8	1.1%
Richland Hills Nursing Home	Nursing and Personal Care	73	5	1.4%	85	9	1.1%
Royal Bath	Plastic Plumbing Fixture Manufacturing	72	6	1.4%			
Trugreen Chemlawn	Landscape and Horticulture	70	7	1.4%	65	10	0.8%
Alterra Healthcare Corporation	Nursing and Personal Care	60	8	1.2%			
Atlantic Air	Heating and Air Conditioning Equipment	55	9	1.1%			
Lexington Place Nursing and Rehabilitation Services	Nursing and Personal Care	104	10	2.0%			
Dyna Ten Company	Plumbing, Heating & Air Conditioning				325	1	4.1%
Nesbitt Building Maintenance Inc	Cleaning, Maintenance Service				125	3	1.6%
Hamilton Form Company	Industrial Machinery and Equipment				100	4	1.3%
Security Link	Business Services, Miscellaneous				100	5	1.3%
Harris Packaging	Corrugated Boxes				90	6	1.1%
Dynamo Limited	Video Games Manufacturer				85	7	1.1%
		<u>907</u>		<u>17.8%</u>	<u>1210</u>		<u>15.2%</u>

Source: City Records  
 North Central Texas Council of Governments

CITY OF RICHLAND HILLS, TEXAS  
 OPERATING INDICATORS BY FUNCTION/PROGRAM  
 LAST SIX FISCAL YEARS (UNAUDITED)

Table 19

<u>Function/Program</u>	<u>Fiscal Year</u>					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Police</b>						
Physical Arrests	702	699	621	683	500	503
Number of law violations	555	470	271	539	3396	3885
<b>Fire</b>						
Number of fire runs	595	569	475	613	612	541
Number of EMS runs	1064	1252	897	807	845	813
<b>Public Works - Streets</b>						
Street Resurfacing (miles)	0.5	0.6	0.5	0.3	0.3	0.2
Potholes repaired	130	132	128	134	118	123
<b>Public Works - Water/Wastewater</b>						
New Connections	293	374	396	477	468	453
Water main breaks	22	19	24	23	26	25
Average daily consumption (thousand of gallons)	893	1023	831	806	925	921
Peak daily consumption (thousand of gallons)	0.976	1.13	1.43	1.22	1.8	1.61
Average daily sewer treatment (thousands of gallons)	991	1120	977	1381	902	880
<b>Library</b>						
Volumes collection	37042	38858	38476	38721	39393	37954
Total volumes borrowed	48300	45816	41544	35004	40056	42288

Information unavailable for years prior to 2004

Sources: Various City Departments

CITY OF RICHLAND HILLS, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 LAST SIX FISCAL YEARS (UNAUDITED)

Table 20

Function/Program	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Police</b>						
Stations	1	1	1	1	1	1
Patrol Units	10	10	11	11	11	11
<b>Fire</b>						
Stations	1	1	1	1	1	1
Fire Trucks	2	2	2	2	2	2
Ambulances	1	1	1	1	1	1
<b>Public Works - Streets</b>						
Streets (miles)	43.51	43.51	43.51	43.51	43.51	43.51
Streetlights	462	462	462	462	462	462
Traffic Signals	9	9	9	9	9	9
<b>Public Works - Water/Wastewater</b>						
Water mains (miles)	47	47	47	47	47	47
Fire Hydrants	350	350	350	350	350	350
Storage capacity (thousand of gallons)	2360	2360	2360	2360	2360	2360
Sanitary Sewer (miles)	60	60	60	60	60	60
Storm sewers (miles)	2.5	2.5	2.5	2.5	2.5	2.5
<b>Culture and Recreation</b>						
Parks	4	4	4	4	4	4
Parks acreage	12.1	12.1	12.1	12.1	12.1	12.1
Community Center	1	1	1	1	1	1
Playgrounds	3	3	3	3	3	3

Information unavailable for years prior to 2004

Sources: Various City Departments

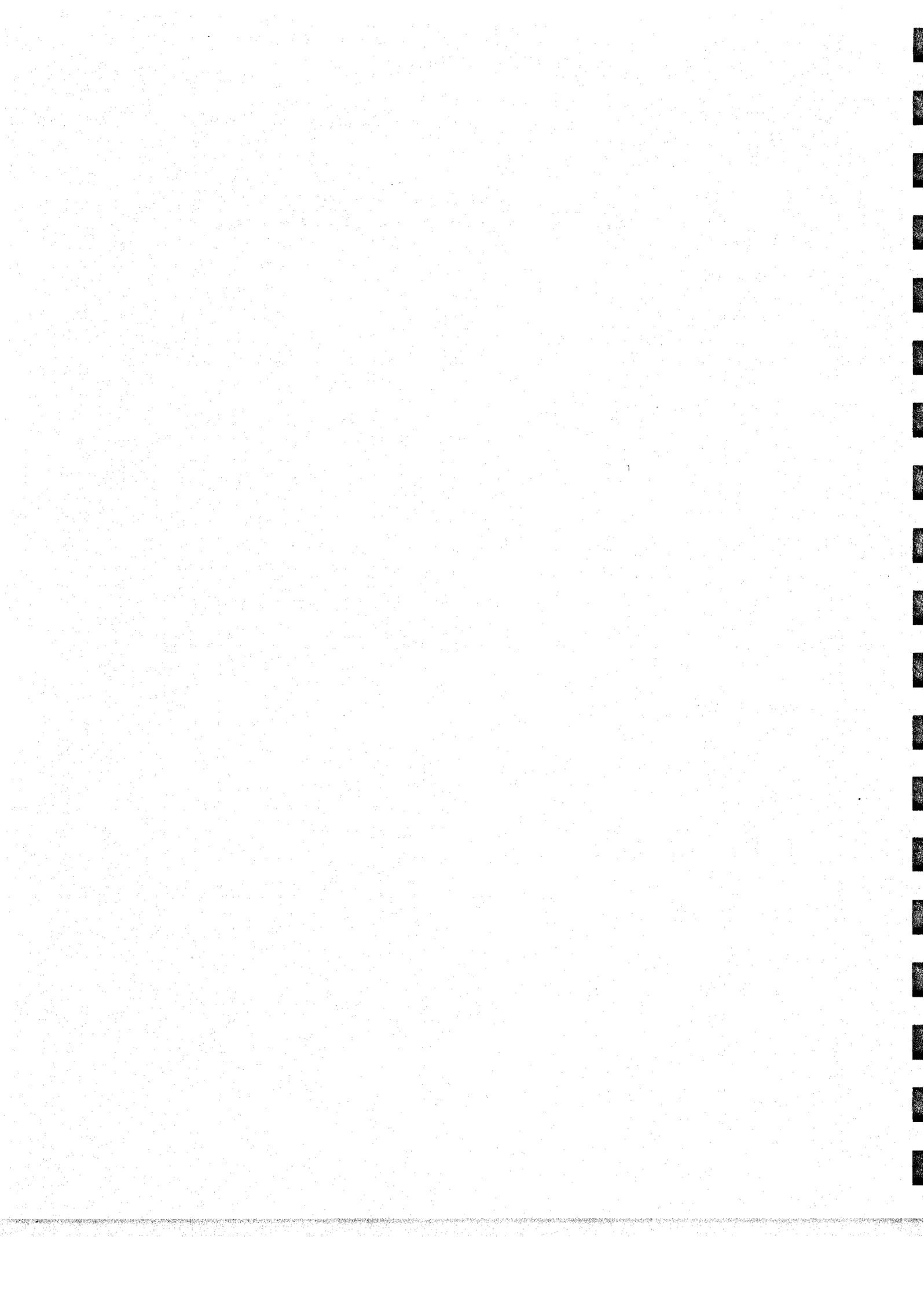
# CITY OF RICHLAND HILLS

Table 21

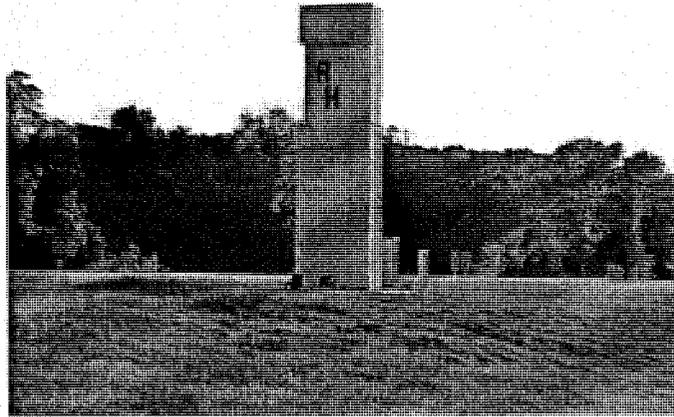
**CITY OF RICHLAND HILLS, TEXAS  
 FULL -TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 NET GENERAL BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS (UNAUDITED)**

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Government</b>										
Aministration	5	5	5	5	5	5	6	6	6	6
City Secretary	1	1	1	1	1	1	1	1	1	1
Community Development	3	3	3	3	3	3	2	2	2	2
Economic Development	1	1	1	1	1	1	0	0	0	1
Animal Services	1	1	2	2	2	2	2	2	2	2
<b>Public Safety</b>										
Police	26	26	26	26	27	27	29	29	29	29
Fire	17	17	17	17	17	17	17	17	17	17
Municipal Court	3	3	3	3	3	3	3	3	3	3
Streets	3	3	3	3	3	3	2	3	3	3
<b>Culture and Recreation</b>										
Library	7	7	7	7	7	7	7	7	7	7
Community Center	1	1	1	1	1	1	1	1	1	1
<b>Water and Sewer</b>										
Drainage	2	2	2	2	2	2	2	2	2	2
<b>Total</b>	<u>81</u>	<u>81</u>	<u>81</u>	<u>81</u>	<u>82</u>	<u>82</u>	<u>82</u>	<u>83</u>	<u>83</u>	<u>84</u>

Source: City Budget



**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**



**Richland Hills**, *We're in the middle of things...*

HENRY T. GEORGE - CPA  
STEVE D. MORGAN - CPA  
(1925-1994)  
PETER H. MORGAN - CPA  
PATRICK E. SNEED - CPA  
JAMES E. SLEDGE - CPA  
ROY D. STONE - CPA  
NEREO R. MATIAS - CPA



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PUBLIC ACCOUNTANTS  
AND  
TEXAS SOCIETY  
OF CERTIFIED  
PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the City Council  
City of Richland Hills, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richland Hills, Texas (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Richland Hills, Texas in a separate letter dated March 11, 2010.

This report is intended solely for the information and use of the management, others within the organization, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

*George, Morgan & Sneed, P.C.*

Weatherford, Texas  
March 11, 2010